

## Christian Democrat Vows to Fight On

De Mita Says His Party Will Claim Guiding Role in Italian Coalition

By Henry Tanner  
International Herald Tribune

ROME — Leaders of the Christian Democratic Party, which has dominated Italian governments for the last 38 years, made it clear Tuesday that the party intends to play a guiding role in the government that will emerge from the election, despite its disastrous setback.

Ciriaco de Mita, the party secretary, made this point strongly in a press conference, and also served notice that he was not going to resign his post, although some factions of the party are blaming him for the defeat.

While none of the leading politicians made a clear-cut statement of candidacy Monday or Tuesday, it is evident that Bettino Craxi, the Socialist leader, and Giovanni Spadolini, the head of the Republican Party — which made the sharpest gains in the election — regard themselves as candidates for prime minister.

Amintore Fanfani, the outgoing prime minister, will continue to govern the country as a caretaker until the new parliament meets July 12 for the first time.

President Sandro Pertini will then have to select someone to try to form a new government, and negotiations will begin.

Mr. de Mita will have to defend his role in the defeat of the Christian Democrats in the first of several party meetings Wednesday. He is expected to try to blunt the criticism by pointing to party gains, such as the election to the Senate of Guido Carli, the former president of the Bank of Italy, Mr. Carli, elected in Milan, is one of the political newcomers selected by Mr. de Mita in an attempt to give the party new life.

The Christian Democrats will have 37 fewer seats in the new Chamber of Deputies and 18 fewer in the Senate.

And official figures confirm that the gap between the ruling Christian Democrats and the perennial runners-up, the Communists, has not been so narrow since the end of World War II.

That gap in the Chamber of Deputies is three percentage points or 27 seats. In the Senate the parties are separated by 1.4 percentage points and 13 seats.

The closest the Communists had come in the past was in 1976, when the separation from the Christian Democrats was 4.3 percent in the Chamber of Deputies and 5.1 percent in the Senate.

Commentators noted that neither politicians nor pollsters had foreseen what is described in newspaper editorials in Rome as the collapse of the Christian Democrats — a description all the more dramatic because it came from writers normally favorable to the political right or center.

According to complete official results of the voting for the 630-seat chamber of Deputies, the Christian Democrats won 32.9 percent, compared to 38.3 percent in the 1979 elections, and 225 seats, down 37 seats from the 262 they had held in the previous parliament.

The Communists dropped to 29.9 percent, against 30.4 percent in 1979, for 198 seats, down three from 201.

The Socialists won 11.4 percent, up from 9.8 percent, for 73 seats, compared to 62 in the previous chamber.

The neo-fascist MSI party took 6.8 percent, up from 5.3 percent, for 42 seats, an increase of 12.

The Social Democrats won 4.1 percent of the votes as opposed to 3.8 percent in 1979, for 23 seats, an increase of three.

The Republicans went up to 5.1 percent from 3 percent for 29 seats, an increase of 13, and the Liberals to 2.9 percent from 1.9 percent for 16 seats, a gain of 7. The Radicals sank to 2.2 percent from a previous 3.5 percent for 11 seats, compared to 18 in the previous house.

Proletarian Democracy, not entered in the 1979 elections, took 1.5 percent of the votes for seven seats.

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Ciriaco de Mita, secretary of Italy's Christian Democrats, reflecting on election results.

## Catholic Church to Create Fund To Send Money to Polish Farmers

ROME — Polish authorities and leaders of the Roman Catholic Church have reached agreement in principle for the creation of a church-run foundation to channel money to Polish farmers, it was reported in Rome and Warsaw Tuesday.

Cardinal John Krol, who accompanied Pope John Paul II on his recent trip to Poland, confirmed in a Washington television interview that the program would provide \$5 billion over a five-year period for Polish farmers.

The foundation is seen as a way to bolster Poland's economy despite the economic sanctions imposed by the U.S. government and its Western allies after martial law was declared Dec. 13, 1981.

During his meeting in Warsaw with the Polish leader, General Wojciech Jaruzelski, the pope expressed the hope that conditions could be created in Poland that would allow the lifting of Western sanctions.

In Washington, Cardinal Krol said the church-run fund would administer "a five-year program, \$5 billion, half of which would come from foundations and a quarter of which would come from the church."

Asked if this would circumvent U.S. sanctions, the cardinal replied indirectly, saying the money would go only to the agricultural sector, not in the general public. He did not indicate which governments might contribute to the fund.

Polish officials have been saying that martial law might be lifted July 22, Poland's national day. Western diplomats in Warsaw have asserted that even if martial law were lifted, new laws would be imposed to ensure that the military regime maintains ultimate control.

Cardinal Krol said that if Poland did end or soften martial law, the United States should relax economic sanctions against Poland. The Reagan administration has indicated that it will do so only if it is clear that Poland actually has ended martial law.

CBS News, quoting unidentified diplomatic and Vatican sources, reported Monday night that a tentative agreement for a new labor union was reached before the pope's visit to his native land. It said that the pope gave formal approval to the agreement while in Poland. The trade union would be formed under the auspices of the Catholic Church, according to CBS.

The Vatican has still given no details of John Paul's meeting on Thursday with Mr. Walesa. But a Vatican source denied reports that the pontiff counseled Mr. Walesa to step aside. For his part, Mr. Walesa has said he will not abandon his fight for union rights.

Cardinal Jozef Glemp, Poland's Roman Catholic primate, has been promoting the idea of a foundation to channel money to farmers for some months; he was also involved in the talks with the Polish government that paved the way for the pontiff's visit, sources said.

According to Western diplomatic sources in Rome, the money would be raised by churches in the West, turned over to the Polish church, and then distributed through existing state channels.

On the refugee question, Mr. Krol said that "the administration has refused to authorize visas for these divided Cuban families ever since it took office, turning a deaf ear in the pleas of the Interest Section in Havana that the only ones hurt by the refusal were the innocent applicants themselves, who had all their documentation and were eligible to receive visas to join their immediate families in the United States."

On Monday, Senator Edward M. Kennedy, Democrat of Massachusetts, a ranking member of the Senate Judiciary subcommittee on immigration and refugee policy, said that it remains in the national interest to deal urgently with the Cuban immigration problem separately.

## Palestinian Dissidents Open Fresh Offensive Against Arafat Forces

By Thomas L. Friedman  
New York Times Service

BEIRUT — Palestinian rebels opposed to Yasser Arafat launched a new offensive against Arafat loyalists Tuesday in what appears to be the start of a step-by-step campaign by the dissidents to take control of all Palestinian forces in Lebanon.

The rebels launched their first major offensive a week ago when they took control of the Masnaa border crossing and a stretch of the main Beirut-Damascus highway where it crosses from Syria into Lebanon. On Tuesday, the rebels stormed farther west along the highway, heading for the strategic junction town of Shura, which serves as the headquarters of Mr. Arafat's al-Fatah guerrilla force in the central Bekaa Valley.

The Palestine Liberation Organization news agency, Wafa, which is still loyal to Mr. Arafat, said in a statement from Tripoli that the rebels attacked pro-Arafat Fatah guerrillas all along the Beirut-Damascus highway from Masnaa to Shura, killing 15 Arafat loyalists and wounding 20. Rebel casualties were not immediately available. Wafa also conceded that Nasr Youssef, commander of the Yarmouk brigade, which forms the bulk of Mr. Arafat's professional guerrilla fighting force in Lebanon — was captured by the rebels in Tuesday's clash.

Reporters who visited the Shura area, which the rebels appeared to be trying to seize control of late in the day, watched as several bullet-riddled cars and trucks careened all over the highway to escape the shootout. One dead body was seen lying in the highway just outside Shura, and gunfire could be heard all over the area, as Syrian troops supporting the rebels poured out of transport trucks near the central Bekaa Valley town.

Tuesday's fighting between pro- and anti-Arafat members of the Fatah guerrilla organization was distinguished by several important elements.

First not only did Syrian troops support the rebels, according to Wafa, but also the two main Syrian factions in the PLO — as-Sa'iq and the Popular Front for the Liberation of Palestine-General Command.

The PLO is made up of eight groups, of which Mr. Arafat's now divided Fatah organization was by far the largest. The active involvement of the two leading pro-Syrian PLO factions against Mr. Arafat's Fatah supporters suggests that the entire PLO is now becoming engulfed in, and split by, the internecine clashes, with each of the eight PLO groups taking sides.

The statement said that "proceeding from the interest of peace and their security, the states participating in the meeting declare that they will in no case allow military superiority to be achieved over them. They resolutely favor the ensuring of the balance of forces at the lowest level. In this connection, they draw attention to the proclaimed position of their supreme state bodies on this issue."

Diplomatic observers said the reference to "the proclaimed position" involved the Soviet government statement of May 28 warning that the Soviet Union may deploy nuclear weapons in Eastern Europe if the West goes ahead with the deployment of 572 Pershing-2 and cruise missiles in five Western European countries. Czechoslovakia and East Germany have publicly endorsed the Soviet statement.

The fact that there was no specific reference to the May 28 statement was interpreted by the observers as an indication that Romania and possibly Hungary had insisted on a more conciliatory stand.

The tone of the joint statement, which was distributed by Tass, the Soviet news agency, was unusually moderate and positive. It laid particular emphasis on the need for reductions in nuclear arsenals and expressed "alarm" at the lack of progress at the Soviet-U.S. arms-reduction talks in Geneva.

The Warsaw Pact nations said that particular importance must be attached to efforts to eliminate "the danger of nuclear confrontation on the European continent."

As a result, it seems very unlikely that the Syrians will ease their pressure on the Fatah loyalists in Lebanon's Bekaa Valley and the Tripoli district — pressure that includes blocking all deliveries of supplies and weapons to Arafat loyalists.

The Saudi Arabian government issued a statement Monday night expressing its continued support for Mr. Arafat, but the Saudis appear to have had virtually no success in persuading the Syrians to relent. Even the Soviet Union has been noticeably reserved in its support of Mr. Arafat.

The final important aspect to Tuesday's clashes was the fact that they appeared to be part of a well-planned, phased campaign by Colonel Musa's rebels to take control of all 8,000 Fatah guerrillas in Lebanon. Mr. Arafat's forces are already surrounded at several key bases in Lebanon by Syrian tanks; they have lost all communication links with their commander-in-chief, and their morale is clearly on the wane as they watch the Syrian-supported rebels taking the initiative in all the battles.

The Arafat loyalists cannot really launch a counteroffensive without also hitting Syrian troops who are stationed all over the area.

## Cuba Links Refugees To Immigration Talks

By Bernard Gwertzman  
New York Times Service

WASHINGTON — Cuba is willing to discuss the return of some of the refugees who came to this country illegally in 1980, but only as part of overall negotiations on normalization of migration between the two countries, administration officials said.

In a formal note delivered June 17 and disclosed Monday, Cuba in effect spun an official request from Washington last month that it take back a few thousand undesirable — now in American prisons or mental institutions — from the 125,000 Cubans who came to the United States in an exodus from the Cuban port of Mariel in 1980.

The United States said on May 24 that until Cuba agrees to take back this group, it will continue to refuse immigration visas to Cubans who do not have American citizens as close relatives.

In its counterproposal, the Cuban Foreign Ministry told the American Interest Section in Havana: "Cuba does not refuse to discuss establishment of conditions which would permit normalization of migration between both countries, including norms to follow, concerning persons who, having committed illegal acts in one country, travel illegally to the other."

A State Department official said the Cuban note did not appear to be responsive in the U.S. request. He could not predict whether the United States would agree to negotiations on the whole subject of migration.

Such talks were held with the Carter administration in early 1981, spurred by the Mariel exodus, but they ended without agreement, State Department officials said. They said Cuba insisted that all Cubans who return do so voluntarily and that Cuba have a veto on each one.

The Reagan administration has not had any formal negotiations with Cuba on any subject, but in 1981 and 1982 held some discussions dealing with U.S. efforts to persuade the Cubans to halt their aid to subversive movements in Central America.

The Cubans have regularly called for negotiations on normalization of relations. State Department officials say Cuba would use such negotiations to try to demoralize the United States by implying that the United States was striking a deal to end the war there.

The United States has not ruled out discussions with Cuba on limited subjects such as immigration. In answer to U.S. requests, Cuba last week turned over a list of 800 storefronts in the city selling marijuana.

The storefronts, found throughout the five boroughs, are often called smoke shops, chiba shops or joint factories.

"Smoke shops are taking over our streets," said Sterling Johnson Jr., the city's special narcotics prosecutor. "They're taking over our neighborhoods, and no neighborhood in New York City is immune to them any longer."

The stores usually make little effort to hide the marijuana sales, for they have had little reason to fear the law, the police say. At most of the stores, they say, anyone can walk in and buy marijuana.

Law enforcement officials say they have been unable to close the stores because of lenient marijuana laws, staff cutbacks in the police department and the unwillingness of judges to send marijuana dealers to jail.

While officials hope that legislation approved Sunday by the state legislature will help shut some of the stores, they say the spread of the stores is now out of control.

The bill, if signed by Governor Mario Cuomo as expected, would allow the assets of a marijuana-store owner to be confiscated if the owner were charged with a felony drug offense.

The police say it is difficult to estimate sales to illicit businesses, such as dealing in marijuana. According to an estimate by the State Division of Substance Abuse Services, the revenues of marijuana stores in New York City last year totaled at least \$50 million.

## U.S. Bridge Falls; 3 Dead, 3 Hurt

The Associated Press

GREENWICH, Connecticut — A 100-foot (30-meter) section of an interstate highway bridge collapsed before dawn Tuesday, hurling trucks and cars 70 feet into the Mianus River. Three persons were killed and three others were critically injured, authorities said.

The three eastbound lanes of the bridge dropped into the river at about 1:30 A.M. on Interstate 95, Connecticut's main highway into New York City about 20 miles (32 kilometers) to the southwest, a Greenwich Fire Department dispatcher said. Two tractor-trailer trucks and two cars fell into the water. Coast Guard and police boats searched the river for more motorists who may have been trapped in their cars.

The state transportation commissioner, J. William Burns, said the collapse could have been caused by a missing pin. A large pin, used to hold sections of the bridge together, appeared to be missing and might have vibrated loose, he said.

The collapse closed the highway for about 10 hours. The state said it would not allow traffic to resume until the missing pin was found and the bridge was repaired.

The collapse of the bridge, which was built in 1964, was the first of its kind in the state since 1954, when a section of the same bridge collapsed.

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## New York Officials Blame Lax Laws for Growth of 'Marijuana Shops'

By Philip Shenon  
New York Times Service

NEW YORK — From the front, it looks like any other food store on Manhattan's East Side. But one day last week dozens of people stopped at the Belson Grocery to buy something other than the food and kitchen goods that line its shelves.

They walked to a tinted glass panel set in a rear wall of the store, on First Avenue, near 91st Street. Through a small hole in the panel, they passed money to a man sitting behind the wall. He then pushed out plastic bags full of what the police say was marijuana.

The police say the grocery, which was raided last Wednesday but has since reopened after four employees were arrested and released pending trial, is one of 800 storefronts in the city selling marijuana.

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## Soviet Alters Stance In Geneva Arms Talks

By Michael Getler

WASHINGTON — The Soviet Union has for the first time modified some aspects of its position at the Geneva negotiations on reducing long-range nuclear missiles. But U.S. administration officials say it is not clear whether the Russians may also become flexible on the more crucial issues dividing the superpowers.

The Russians reportedly have withdrawn demands that the United States deploy no more than four to six new Trident missile-firing submarines, reduce the missiles on each submarine from 24 to 16 and not deploy the new Trident-2 missile under development for those vessels.

The Russians also have stopped demanding that cruise missiles launched from bombers be limited to a range of 360 miles (576 kilometers).

Reagan administration officials say these shifts reflect movement in the Strategic Arms Reduction Talks, START, which began a year ago, in that the two nations' proposals now are slightly less incompatible. The United States recently altered its START position.

But, administration officials view the demands dropped by the Russians as "peripheral," as one put it, to the main objective of the talks: sharp reductions in the Soviet force of land-based missiles, the

only ones that currently have, theoretically, the capability of wiping out U.S. land-based missiles in a first strike.

The Russians have said some U.S. demands were unrealistic: those that would require the Russians to give up 75 percent of their most prized land-based missile force.

The Reagan administration wants to build 100 new, highly accurate MX land-based missiles. But the United States also is planning for 14 Trident submarines. The first two oow at sea carry the Trident-1 missile, which is not as accurate as the MX and cannot be used to attack Soviet missile silos on land.

But the Trident-2 missile, which will not be ready until 1989, is supposed to be accurate enough for that job. Moscow has been trying to block it at the talks.

The Russians, however, have tested and now have a sea-based missile of their own, the SSN-NX-20, which specialists say is probably operational aboard the new Typhoon-class submarine. So the Soviets have been seeking at Geneva to bar new submarine missiles beyond those tested. This would allow them but not the Trident-2.

Why Moscow has backed away from this is not clear. Some officials believe the Russians decided not to try to cut off the submarine force because this could result in deployment of more MX missiles, more threatening since they, theoretically, would have to be fired quickly in a crisis.

Some officials speculated that the Russians, whose own land-based missiles are becoming vulnerable, may now be more interested in expanding their sea-based force. But others said that the Russians, without any warm water ports, were not likely to shift so dramatically to reliance on submarines.

Officials here say the Soviet shift on cruise missiles is in keeping with the U.S.-Soviet strategic arms limitation treaty, the SALT-2 agreement, in 1979. In that agreement, which never was ratified by the United States, no range restrictions were placed on cruise missiles launched from bombers.

Administration officials said they likely will submit a new START draft in the next week or so at Geneva, incorporating changes announced by President Ronald Reagan.

## Building Hit By Bombs in South Africa

Defense Chief Fears Continued Violence

Reuters

JOHANNESBURG — Two bombs wrecked South African government offices Tuesday nine miles (14 kilometers) from central Johannesburg, and the country's defense chief warned that citizens had to be prepared for violence.

The police said the bombs, planted at the entrance to an Internal Affairs Department office in the commercial district of Roodepoort, went off within five minutes of each other, causing extensive damage. No one was reported injured.

No one has yet claimed responsibility for the blast, and the police said a warning was telephoned to a local fire station. The four-story building also housed Roodepoort police headquarters.

The chief of the South African Defense Force, General Constand Viljoen, told a Pretoria seminar on revolutionary warfare that South Africans had to be prepared to accept certain levels of discomfort, disruption and even violence.

Further South African raids on bases of the outlawed African National Congress in neighboring states could not be ruled out, he said. Hot pursuit across borders and pre-emptive strikes would continue, he added.

Unionist Is Sentenced

The Associated Press reported from Cape Town Tuesday that Oscar Mphahlele, the black trade unionist found guilty earlier in the month of terrorist activities, was sentenced Tuesday to five years in prison.

## Senate Ends Debate On Banning Abortion

Los Angeles Times Service

WASHINGTON — The Senate concluded Tuesday an emotional 10 hours of debate on a constitutional amendment outlawing the right to abortion.

The amendment, sponsored by Senator Orrin G. Hatch, a Utah Republican, would overturn the 1973 Supreme Court decision that established the right to abortion. The amendment states simply, "A right to abortion is not secured by this Constitution."



QUICK CARE — Israeli paramedics treat one of two women hurt Tuesday when a bomb hidden in a loaf of bread exploded in a Jerusalem supermarket.

## U.S. Sets Terms for End To Polish Sanctions

Washington Post Service

WASHINGTON — Reagan administration officials said Monday they would not remove U.S. economic sanctions against Poland until they were convinced that the military government there truly intends to lift martial law.

Cardinal John Krol of Philadelphia reported to President Ronald Reagan Monday on his trip to Poland with Pope John Paul II. He said after the meeting that "there is speculation" that martial law might be lifted on July 22, the anniversary of Polish independence. "I have the personal impression that there is on the part of the regime a desire to get back in normalcy and work for the good of the people," Cardinal Krol told reporters.

But an administration official said the cardinal was less optimistic in his meeting with the president. The official expressed concern that the Russians would be unwilling to allow General Wojciech Jaruzelski to ease controls greatly in Poland. General Jaruzelski, now in Moscow for a meeting of Warsaw Pact nations, hinted soon after the completion of the pope's trip that martial law might be lifted. However, U.S. officials think it unlikely that other opposition demands, notably the release of political prisoners, will be met.

Officials acknowledged that there have been discussions within the United States about whether the United States should make a good-will gesture, such as lifting its sanctions against Polish fishing in U.S. waters. This was part of a package of economic sanctions announced by the Reagan administration in December 1981 in response to Poland's outlawing the Solidarity trade union and imposing martial law.

"We want to see true movement and not a facade," a U.S. official said Monday. "We're waiting to see what Poland does."

## Iraq to Get Jet Fighters From France

Deal Gives 'Platform' For Firing of Exocets

New York Times Service

WASHINGTON — France has agreed to lend Iraq five of its Super Etendard fighter-bombers capable of firing Exocet missiles at Iranian ships and oil facilities, State Department officials confirm.

The deal, worked out in secret last month in Paris, represents a major increase in Iraq's firepower, the officials said Monday. Super Etendards, armed with Exocets, were used by Argentina to sink two British ships — the destroyer Sheffield and a container ship — in the Falklands conflict last year.

A report of the loan appeared Friday in Le Monde, a Paris newspaper. On Monday, French officials confirmed the accuracy of the report to the United States, officials said.

Since the outbreak of fighting between Iraq and Iran in 1980, U.S. officials said, France, which has sold approximately \$5 billion worth of military equipment to that country, The Iraqis, they said, have used the Exocet missile for some time, but have not had effective "platforms" for firing it.

The Super Etendard, the French Navy's chief carrier fighter-bomber, is being adapted for the Iraqis by two French manufacturers, Dassault-Breguet and the National Aviation Engine Research and Construction Co. Le Monde reported that Iraqi pilots are being trained in France to fly the planes.

According to Le Monde, Iraq's deputy prime minister, Tariq Aziz, asked France for the Super Etendard early in the year for use against Iranian oil installations. The request was renewed when Mr. Aziz visited Paris in May.

One reason the planes are not being sold to Iraq, U.S. officials said, was that production of the aircraft has ended and the French Navy did not wish to give up any of its 61 planes permanently. No figures were available on the cost of the aircraft.

## Christian Democrats' Chief Says He Won't Quit Post

(Continued from Page 1)

and miscellaneous groupings won six seats.

It is of great importance in the view of many foreign and Italian observers, that the losses for the Christian Democrats were not gains for the Communists, who also lost some votes.

The Communists, however, did generally better than most Italian commentators — including some Communist leaders — had expected.

The lack of a Communist surge is the main reason this election has been received by the Italian population in an entirely different mood than 1976, when there was a genuine fear that the Communists were on their way to forming a government.

Mr. Craxi said Monday night that the election had changed nothing in his decision to reject Enrico Berlinguer's offer of a Communist-Socialist minority government, which was made by the Communist leader during the campaign.

Communist mayors and city councils govern most of the biggest Italian cities and several of the key regions in alliances with the Socialists and other parties.

Italian commentators were finding it difficult to provide neat explanations for the election results, and, in fact, the results are contradictory.

The Christian Democrats lost but the Communists did not gain.

Mr. Craxi, who had brought down three governments, made minimal gains for his Socialists and acknowledged that the gains were smaller than he expected.

The dramatic loss by the Christian Democrats has given more relative weight within the likely government alliance to both Mr. Craxi and to his chief rival, Mr. Spadolini, who was the first non-member of the Christian Democrats to serve as prime minister.

It is difficult also to say that "economic rigor" — meaning stiff anti-inflationary measures and fiscal frugality to reduce Italy's public sector deficit of nearly \$70 billion — has taken a beating in favor of less dramatic actions advocated by Mr. Craxi and of huge public-works projects called for by the Communists.

Mr. Spadolini was the prime spokesman of economic rigor in the campaign and he emerged as the biggest single winner in relative terms, increasing the vote of his party by about 70 percent.

But Mr. de Mita also made himself a spokesman of economic rigor and he emerges as one of the chief losers.

It is difficult also to speak of a swing to the right, even though the MSI, or Italian Social Movement, of Giorgio Almirante, was among the biggest gainers, increasing seats in the Senate from 13 to 18 and in the Chamber from 30 to 45.

The MSI has for many years been the country's fourth largest party in terms of popular votes. It has never been associated in any of the governments because all of the other parties firmly accuse it of rejecting democratic behavior and principles.

MSI's gain is interpreted by most commentators as a protest gain by a party that has not participated in the ruling of the country for decades and cannot be made responsible for any of the mismanagement and corruption that has happened over the years.

Toni Negri, the Marxist philosopher who has been in jail since 1979 and is currently on trial with nearly 100 co-defendants as one of the alleged intellectual fathers of Italian political terrorism, was elected to the chamber from Rome.

He will now have to be released from prison, although the trial is apt to continue.

## WORLD BRIEFS

### Civilians Kill 60 Afghan Soldiers

NEW DELHI (UPI) — Civilians killed 60 Afghan soldiers and displayed their bodies in Paghman, nine miles (15 kilometers) from Kabul, to protest the Soviet presence in Afghanistan, a diplomat said Tuesday. He said the incident occurred June 13 or 14.

Soviet helicopters bombed villages around Paghman and in the Shomali region northeast of the village beginning June 15, he said, and Soviet warplanes hit villages in the region Friday. The diplomat, who asked not to be identified, had no estimates of casualties.

Soviet troops entered Afghanistan in December 1979. Now, about 100,000 to 200,000 U.S.-supported guerrillas are fighting 105,000 Soviet troops and 30,000 Afghan soldiers. The rebels want to overthrow the Soviet-backed government and turn Afghanistan into an independent, fundamentalist Islamic nation.

### Soyuz-9 Docks With Space Station

MOSCOW (AP) — Two Soviet cosmonauts docked their Soyuz-9 space capsule with the orbiting space station Salyut-7 on Tuesday, Tass reported.

Vladimir Lyakhov and Alexander Alexandrov were reported feeling well and were fulfilling their flight program after entering the Salyut, the news agency said. Tass said the cosmonauts had performed "complicated maneuvers" to prepare for docking, described as "one of the major operations" of their mission.

Two months ago, another Soyuz craft narrowly missed docking with the space station. Western monitoring stations said the vehicles passed within yards of each other. Soviet reports said afterward that the flight path of the craft, Soyuz-8, was incorrect and that the three-man crew was brought back to Earth 48 hours after launching because of fears for their safety.

### Reagan Releases 1980 Carter Data

WASHINGTON (UPI) — Ronald Reagan's 1980 campaign had inside information from the opposition, including the leaked intimacies of a "brainstorming session" by aides to President Jimmy Carter, documents released by the White House showed Tuesday.

The voluminous material, turned over to the Justice Department, was given to reporters less than four hours before Mr. Reagan was to be questioned about the political controversy during his 18th formal news conference.

The sheaf of papers was found in the files of administration officials David R. Gergen and Francis S.M. Hodson, who together assembled the material used to coach Mr. Reagan for his only campaign debate with Mr. Carter three years ago. But the two officials, along with the White House chief of staff, James A. Baker 3d, and the budget director, David A. Stockman, who also helped coach Mr. Reagan for the debate, said the material they received was not the final briefing book prepared for Mr. Carter. The Reagan aides have all denied knowing how the material was obtained.

### U.S. Embassy in Salvador Attacked

SAN SALVADOR (UPI) — The U.S. Embassy was attacked Monday by gunmen, who presumably were Salvadoran rebels. The attackers raked the building with machine-gun fire and set off an explosion, according to a spokesman for the embassy. No one was reported injured in the attack.

The embassy spokesman, who asked not to be identified, said the attackers fired from a car that was passing the embassy several minutes before an explosion was set off in the street in front of the building. Ten minutes later, the gunmen, in a speeding pickup truck, fired their machine guns at the building.

Only security guards were in the embassy at the time of the attack, the spokesman said, and a few shots hit the office of the director of the Agency for International Development. About 200 Salvadoran security guards, including police and army units, searched the vicinity for the attackers. They believe the gunmen to be leftist guerrillas. No arrests were reported.

### Toll Reaches 900 in Indian Floods

NEW DELHI (Reuters) — The toll in floods in India's western state of Gujarat climbed Tuesday to more than 900 dead or missing, and the weather office predicted more rain.

The Press Trust of India news agency reported that 424 people had been killed and more than 500 are missing. Most of the victims were from the Junagadh district, the worst-hit area. Thousands of people were reported still marooned by swirling floodwaters in the low-lying areas of Junagadh.

On Monday night, the agency reported, the weather office in Ahmedabad, the capital of Gujarat, forecast more heavy rain. New storms were expected over the Saurashtra region, which was inundated by last week's storms and floods.

### Dutch Choose Cruise Missile Site

THE HAGUE (AP) — The Netherlands has chosen an air force base near the Belgian border as the place where its share of NATO cruise missiles will be deployed — if the Dutch decide to accept the 48 weapons. The location, which was disclosed in a letter to parliament Tuesday after about a year of consultation and surveys, is Woensdrecht, a reserve base in the southwestern Netherlands.

The choice, well in advance of the scheduled selection date in September, reflects the center-right government's commitment to preparations for deployment, without making a final decision on whether to accept the missiles themselves. It was in line with the government's pledge not to make any active preparations without approval of parliament.

### EC Fusion Chamber Passes Test

CULHAM, England (Reuters) — After five years in construction, the European Community's fusion chamber has passed its first test in an effort to eventually imitate how the sun makes energy, according to project officials. They hope the machine, known as the Joint European Torus (JET), will reach temperatures higher than those at the core of the sun, high enough so the controlled fusion process, the forcing together of atoms, will produce more energy than it uses.

The fusion chamber at Culham, near Oxford, the largest in the world, was switched on for a tenth of a second on Saturday at 60,000 amperes, slightly over one percent of the current scientists want to eventually use. The same day, U.S. scientists put a current of one million amperes through its Tokamak reactor at Princeton.

While the EC and U.S. projects are the most advanced, Japan and the Soviet Union are also working on developing nuclear fusion.

### U.S. Ambassador Assailed in India

NEW DELHI (UPI) — Demonstrators in New Delhi and Calcutta demanded Tuesday the expulsion of U.S. Ambassador Harry G. Barnes and burned him in effigy for remarks in which he compared the Sikhs and Puerto Rican independence movements.

Mr. Barnes was asked June 10 why Washington granted a visa to Jagjit Singh Chohan, a leader of the Sikh separatist movement for Punjab. Mr. Barnes replied: "There are people who come to India, for instance, who advocate a separate, independent Puerto Rico. We as a country think the people of Puerto Rico have had a chance to express their opinion — if they want to become free as a separate, independent state they have a choice of doing it, but we don't go around complaining because somebody happens to come to India from time to time and talk about Puerto Rico."

Mr. Barnes tried Tuesday to clarify his comments. "I was only commenting on the question to which I understood to refer to the exercise of free speech in the United States and in India. I was not drawing any analysis and any such interpretation is therefore incorrect," he said. Several demonstrations against Mr. Barnes took place at the U.S. Embassy following publication of his remarks. The protesters have demanded that Mr. Barnes apologize and that he be withdrawn immediately.

### Europarlament To Meet Today

STRASBOURG, France — The European Parliament will meet Wednesday in a two-day special session because Greece will not allow West Germany to sum up its

Flans-Dietrich Genscher, the West German foreign minister, will address the Parliament Wednesday and Chancellor Helmut Kohl will report Thursday on the European summit in Stuttgart.

Greece, which joined the community in 1980 and is assuming the presidency for the first time, wanted to offer its own assessment of the summit, but Mr. Genscher refused.

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## Mitterrand Is Grilled On Top French Issues At Rare 'Media Event'

By Axel Krause  
International Herald Tribune  
PARIS — Few observers of the French political scene could recall anything quite like it.

There, at the breakfast hour on Tuesday, was President François Mitterrand helping launch a new radio program by fielding hard, probing questions from, and even being interrupted by, three professional journalists from Europe 1, a popular commercial station.

"It was a media event, considering it was commercial radio," commented a French business executive later in the day, "and considering the difficult problems here, he came across well."

The issues raised can be heard repeatedly throughout the country and were partly based on what listeners had suggested in advance: Why is everyone so disappointed in the government's economic policies? Will there be early parliamentary elections? Why are taxes still going up? What about unemployment? What does the government say about the opposition, Chirac and the neutron bomb?

With the questions getting rougher and zeroing in on the crisis of France's worsening unemployment and chronic inflation, President Mitterrand appeared determined more and more to convince the country that his brand of socialism could work.

Sounding like conservative leaders of most other Western industrialized nations, Mr. Mitterrand said that "for the left, for the parties within the government, there is only one way possible — inflation must be reduced at all costs."

He said this meant getting the inflation rate down to 3 percent from its current 9-percent level by the end of next year.

At one point the French leader said he remained determined to "putting things right" during his seven-year term, but he also said in response to a question that he "never doubted that my first three years would be the most difficult."

At one point during the lively give-and-take with newsmen, the difficulties came through of reconciling socialist principles with economic reality. "Rigor must always be blended with a considerable effort in favor of social justice," he emphasized. "You cannot in two years solve problems that have not been solved for 10 years."

On other topics, Mr. Mitterrand said that France would continue providing logistic and other backing to Chad, which is currently fighting a rebel invasion, under a 1976 agreement, and he warned Libya against "adventures" in Africa. Also, he said that France was ready to mass-produce a neutron warhead but no decision had yet been made.

But despite this news, to most observers the presidential appearance was mostly a media happening.



François Mitterrand

It represented a new effort to get out a message across — to communicate differently, a presidential adviser said, hinting that the unusual appearance on a commercial station would be followed by other presidential appearances in coming weeks.

Traditionally, French presidents, including Mr. Mitterrand, have preferred communicating with the nation through state-controlled television and with prepared questions and answers.

Speaking in firm, intimate tones and sounding as if his comments were spontaneous, Mr. Mitterrand gave the impression of a political leader seeking approval, or re-election. But he quickly ruled out any early elections or a national referendum, as some opposition leaders have recently suggested.

"Why would you want me to dissolve a body which is in full session and which supports the government? ... One should not always confuse deliberating and challenging," he said.

To some observers, the president's goal appeared to be to improve his sagging popularity — and of that of his government — against a backdrop of a stagnant economy, new and unpopular tax increases and an increasingly vociferous opposition to Socialist rule from both inside and outside leftist ranks.

Asked whether he still accepted his 1981 election slogan, "la force tranquille," Mr. Mitterrand said, "The force inside me and the quiet have not changed because nothing deep has changed in me."

## Malawi Vote Tests Mood Of Populace Deaths Of Politicians Shook Many Citizens

By Richard Wirkin  
New York Times Service

LILONGWE, Malawi — Malawi's second general election since independence in 1964 begins Wednesday during a period of political uncertainty in the small southern African nation.

The country is a one-party state under the autocratic rule of Life President Hastings Kamuzu Banda, so the election is not likely to produce any major change.

But it could indicate the effect on Malawi's 6.2 million people of a series of recent events which have disturbed this poor splinter of land between Tanzania, Zambia and Mozambique.

Western and nonaligned diplomats said the voting turnout could be a pointer to the popularity of the ruling Malawi Congress Party and of Mr. Banda, who led the nation to independence from Britain and has ruled it ever since.

The diplomats said the violent deaths last month of a prominent member of parliament and three former ministers, including the popular secretary-general of the Malawi Congress Party, Dick Mutenje, had shaken many Malawians.

Exiled opposition politicians in neighboring states have said the four were murdered amid a political struggle to succeed Mr. Banda, who is believed to be in his 80s.

The diplomats and other independent sources, who declined to be identified, said they were convinced the men had been shot, but the identity and motive of the killers were unknown.

The government said the men died in a car crash, their vehicle tumbling 100 feet (30 meters) down a hillside on a road leading to Mozambique.

Other events that have unsettled Malawian politics lately included the death sentences for treason passed in April on a former justice minister, Orton Chirwa, and his wife, Vera. The two are leaders of the exiled opposition Malawi Freedom Movement.

In the same month Attai Mpeketi, head of the other main opposition grouping, the militant Socialist League of Malawi, was murdered in Zimbabwe.

It has not been possible to gauge the reaction of Malawians as they prepare for the two-day parliamentary election, because political campaigning is banned.

Candidates are expressly forbidden to make speeches in order to prevent "unscrupulous characters unduly influencing the electorate," a government official said.

Malawi's unique system of parliamentary elections rests heavily on the authority of the president. Mr. Banda is responsible for approving candidates wishing to run and for their continuing in parliament after the polling.

He told candidates at a mass rally earlier this month that they served in the National Assembly at his pleasure and must abide by the four cornerstones of the Malawi Congress Party — unity, loyalty, obedience and discipline — and always respect the villagers who voted for them, or risk being removed.

## Mistimed Jettisoning of Gondola Blamed in Death of 2 Balloonists

Compiled by Our Staff From Dispatches

SCHWEINFURT, West Germany — American balloonists Maxie Anderson and Don Ida, nearing the East German border in an international balloon race, deliberately jettisoned the aluminum gondola from their balloon before their fatal crash Monday, West German aviation officials said Tuesday.

The Schweinfurt state prosecutor, Walter Muelzer, heading the investigation into the balloon accident that killed Mr. Anderson, 48, and Mr. Ida, 49, said aviation experts established that the men had jettisoned the gondola holding them, but the maneuver was apparently mistimed.

"Their balloon had a mechanism to dump the basket while hovering a few feet from the ground but this evidently happened too early and at a much higher altitude than they wanted," Mr. Muelzer said.

Both men suffered massive internal injuries as a result of the crash near the village of Schöndörfer, 18 miles (29 kilometers) north of here.

In 1978, Mr. Anderson, with Ben Abruzzo and Larry Newman, all of Albuquerque, New Mexico, made the first balloon flight across the Atlantic in the Double Eagle II.

Mr. Anderson and his son made the first balloon crossing of the United States in 1980.

In Paris, where the race originated Sunday, it was announced that the Polish balloonists, Stefan Makne and Jacek Cieciak, landed south of the Anderson-Ida balloon Tuesday morning between Regensburg and Ingolstadt, West Germany, after traveling a distance of 435 miles, to win the 1983 Gordon Bennett International Balloon Race.

A spokesman for the race, sponsored by the Aero-Club de France, said it appeared the basket on the Anderson-Ida balloon had separated from its crown before the crash.

He said Mr. Anderson had tried to land once, apparently mistimed his approach, and was coming in for a second try when the accident happened.

Mr. Muelzer said an amateur photographer shot movies of the helium-filled balloon minutes before it crashed. The crash itself was not captured on film.

The two Americans radioed that they were going to make an emergency landing. Police and aviation experts theorized that they wanted to avoid being carried into East Germany or Czechoslovakia, whose borders are about 90 miles from the crash site.

The balloonists had been denied permission to enter East Germany. West German police said they at first received permission to fly into Czechoslovakia, but it was later revoked.

Mr. Ida, who owns a Colorado tree farm, had been Mr. Anderson's partner in two failed attempts to circle the globe in a balloon.

The race was founded in 1906 by James Gordon Bennett Jr., publisher of the Paris newspaper that later became the International Herald Tribune. It was held nearly every year until the outbreak of World War II.

The winning team in 1938 was also from Poland. From that time there were no more races until 1979 when competition moved to the United States. This year's race was returned to Paris to celebrate the 200th anniversary of the first manned balloon flight in France.

The Polish team stayed aloft for 36 hours. Nineteen balloons participated.

## U.S. Unit to Seek Rule Requiring Nonflammable Seats on Airliners

By Richard Wirkin  
New York Times Service

WASHINGTON — J. Lynn Helms, head of the Federal Aviation Administration, has said that he expected to start a lengthy rule-making process next month to require use of a layer of fire-blocking material on airliner seats.

Mr. Helms said Monday that it would take at least a year to complete the rule-making process and gear up for production of the fire-retarding materials. He said the effort was significant because "seats are by far the largest contributor to a cabin fire."

The safety layer would be installed on seat bottoms and backs between the decorative outer fabric and the flammable polyurethane foam that forms the main seat contours.

In testimony before a House panel, the FAA chief also revealed that he hoped by December 1984 to start similar rule-making to require installation of wall and ceiling panels with improved flame resistance. He said the first full-scale demonstration of such panels were to be conducted Tuesday at his agency's Technical Center in Atlantic City, New Jersey.

It was estimated that it would require at least a year of such tests to perfect the panels and thereby pave the way for proposing a rule to require their use. Tests on the fire-blocking materials, to prove not only technical feasibility but wearability and economy, were begun three years ago and not completed until earlier this year.

Finally, Mr. Helms set a December 1984 target date for a projected rule to require use of a fuel additive designed to curb post-crash explosions by minimizing the tendency of fuel to break up into highly volatile mists.

The FAA's research on methods to reduce the fire hazard was offered at a hearing of a panel of the House Committee on Science and Technology. The chairman of the panel, the subcommittee on transportation, aviation and materials, is Representative Dan Glickman, Democrat of Kansas.

The hearings originally had been set solely to discuss the issue of aircraft maintenance. But the scope was expanded to include research on passenger cabin fires following the accident on June 2 in which an Air Canada DC-9 caught fire in flight and made an emergency landing at the Cincinnati airport. Twenty-three people were killed.

Mr. Glickman asked Mr. Helms why the FAA had done nothing about requiring smoke detectors in airliner lavatories. Implicit in the question was the suggestion that a detector might have saved lives on the Air Canada flight.

The fire evidently began in the area of a rear lavatory.

Mr. Helms replied that the National Transportation Safety Board had recommended that smoke detectors be put in lavatories, but "we took the approach of prevention."

He said his agency had banned smoking in lavatories and had required that waste receptacles be made fireproof.

The FAA chief noted that there was no record of a single fatality from an in-flight fire aboard an American-operated jet since jets first went into service.

Jim Burnett, the chairman of the National Transportation Safety Board, questioned some aspects of the FAA's approach to safety, though he commended the overall FAA program.

## Half of Women in Third World Are Anemic, WHO Study Finds

The Associated Press

GENEVA — Virtually half of all women, and two-thirds of pregnant women, in the Third World suffer from iron-deficiency anemia, according to a World Health Organization report released Tuesday.

Lack of iron, an essential nutrient, is associated with higher maternal mortality, the report says, and lowers work capacity. The report concludes that because anemia is so widespread in the Third World, mainly because of malnutrition, the condition must be given "high priority" in preventive action.

In Africa, 63 percent of pregnant women and 40 percent of non-pregnant women are anemic; in Asia the figures are 65 and 57 percent, and in Latin America, 30 percent and 15 percent.

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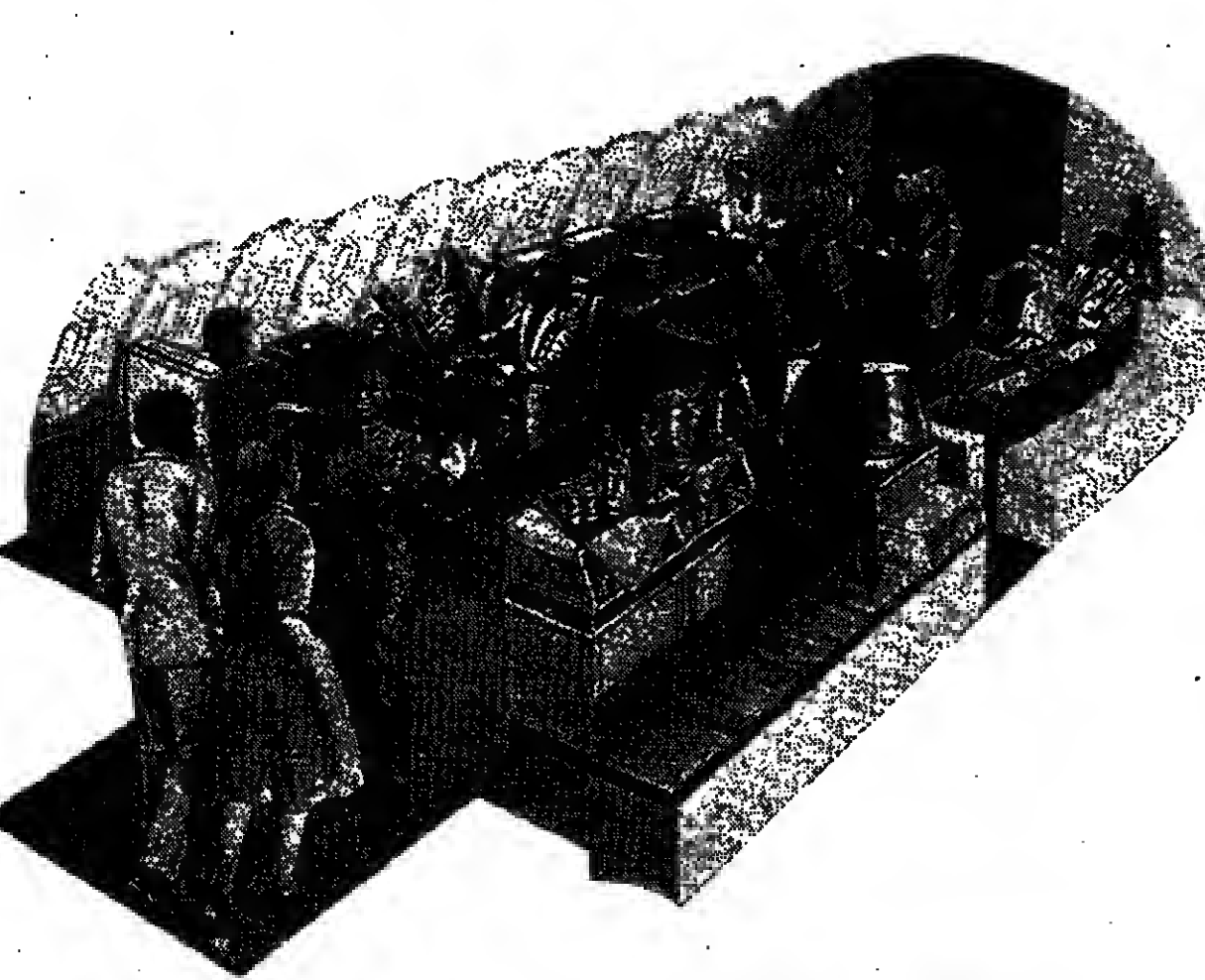
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## Pentecostal Family Is Greeted in Tel Aviv

By Richard Wirkin  
New York Times Service

TEL AVIV — A Pentecostal family from Siberia arrived Tuesday in Israel after a 23-year struggle to emigrate from the Soviet Union. Five of the 15 family members spent five years in sanctuary in the U.S. Embassy in Moscow.

They said they wanted to live in Israel because of their attachment to the Bible. Only Jews have the right to reside in Israel, but the Interior Ministry is empowered to make exceptions.

The Vashchenko family, headed by Pyotr and Augustina Vashchenko, arrived from Vienna and were greeted with bouquets by sympathizers.

"We hope the Israeli government can do something for us because we want to stay here," said Lidiya Vashchenko, 72, the eldest daughter. She was released by the Soviet Union 2½ months ago and came to Israel to continue the campaign for her family.

The Vashchenkos, members of a fundamentalist faith whose members believe in direct communication with the Holy Spirit and speak in "tongues," regard Israel as their spiritual homeland.

The Vashchenko parents and three of their daughters spent five years in the U.S. Embassy as refugees after the Soviet Union refused to let them emigrate. With two other Pentecostals, they set up housekeeping in the embassy basement.

The other two, Maria and Timofei Chyunkhalov, hope to emigrate to the United States.

Lubov Vashchenko, 30, learned English and occasionally was allowed to talk to other members of her family in Chernogorsk, their Siberian home town.

The family left the embassy April 6 and returned to Chernogorsk, after apparently receiving assurances they would receive permission to emigrate.

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Victory for Nakasone

The Japanese elections turned into a referendum on the outspoken prime minister, Yasuhiro Nakasone. As national elections go it was less than crucial, since it involved only half the seats in the upper house of the Diet, and the power is in the lower house. But as a test of Mr. Nakasone's standing it was a significant victory for a style of leadership that is unorthodox by Japanese standards.

Mr. Nakasone has been talking openly and explicitly about larger international responsibilities for Japan, including responsibilities for defense, a subject that Japanese politicians have for many years avoided discussing in public. His comments have generated great controversy in Japan, but his trips abroad have been uniformly successful. Last winter he visited Korea; it was the first time a Japanese prime minister had been there since World War II, and in view of a decidedly scratchy relationship it was a rather risky venture. He came to Washington for talks with President Reagan. And last month he made a swing through five Southeast Asian countries, talking about trade and defense, before coming to the United States again for the economic poli-

cy meeting at Williamsburg. Whatever else Japanese voters think of Mr. Nakasone, Sunday's returns suggest that they consider him effective in dealing with the rest of the world.

With inflation and unemployment both remarkably low, politics in Japan is not driven by the same anxieties that drive most other industrial countries. But it has its own tensions. A former prime minister, Kakuei Tanaka, is under prosecution for accepting bribes from Lockheed, and Mr. Tanaka continues to be a figure of great influence in Mr. Nakasone's Liberal Democratic Party.

Mr. Tanaka wanted elections for the lower house to be held last weekend, simultaneously with those for the upper house. The idea was to get them all over before Mr. Tanaka faces the verdict that he expects in the autumn. Mr. Nakasone's refusal was a way of putting distance between himself and Mr. Tanaka. That gesture seems to have strengthened Mr. Nakasone substantially, both last Sunday and in preparing for the much more important elections for the lower house that will probably be held early next year.

—THE WASHINGTON POST.

## Wilderness for Arafat

Why has Syria "expelled" Yasser Arafat and encouraged a further split in the dedicated ranks of the Palestine Liberation Organization? Since President Hafez al-Assad has no obvious interest in completing the job begun by General Ariel Sharon a year ago, the reason must be devious — and important enough to override any incidental benefits to Israel.

The official explanation from Damascus provides a clue, but not if read literally. The Syrians denounce Mr. Arafat as a "wilderness" who has "chosen the path of the wilderness." Some take this to be an accusation that he has wearied of challenging Israel and sold out the Arab cause by flirting last winter with President Reagan's plan for negotiations; this interpretation casts the Syrians as they would like to be seen — as punishing Mr. Arafat for being tempted by half a loaf, as avenging his betrayal of his own people.

But then why did he wait six months? Or take public responsibility for further weakening the PLO? Why cripple the PLO to save its soul? If the Syrians really mean to silence the Palestinians' only international voice, why not just arrange to have Mr. Arafat shot?

We have a different hypothesis, one that reads the words "path of the wilderness" a different way. The wilderness seems to mean anywhere but under Syria's control. In fact, since his eviction from Beirut, Mr. Arafat has been willing to pitch camp anywhere, even in distant Tunisia, to avoid Damascus and subordi-

nation to Syria. If this theory is right, the Syrians find it dangerously intolerable to let the PLO keep 8,000 loosely disciplined soldiers in Lebanon unless they submit to Syrian command.

What has Mr. Assad to fear from 8,000 allies in Lebanon's Bekaa valley? Does he not hold the valley firmly with 40,000 Syrian troops and with Soviet-manufactured aircraft missiles? Precisely. What he most fears is that the uncontrolled PLO forces will keep provoking the nearby Israeli army with hit-and-run attacks, and that, by design or otherwise, these assaults will draw Syria and Israel into another conflict — something which neither wants.

The issue thus becomes how to wrest control of the PLO fighters from Mr. Arafat. Hence the Syrian-sponsored "revolt" inside the PLO, which occurred only after Syria rejected the American plan for coordinated Israeli and Syrian withdrawals from Lebanon.

Syria has thus opted for indefinite partition of Lebanon into Israeli- and Syrian-held zones. It promises to be an untidy but cozy arrangement, provided only that no PLO firebrands are allowed to upset the co-occupation.

The Israelis will not attack if spared the daily casualties among their occupation troops. The Russians will go on supplying the Syrians and retain a veto over arrangements in Lebanon if Mr. Assad avoids a major war. And if the Palestinians now refuse to cooperate, well, there's always the wilderness.

—THE NEW YORK TIMES.

## Other Opinion

### The Pope and Walesa

Where stands Lech Walesa in the aftermath of the pope's visit to Poland? The Pope must have grounds for hoping after his two meetings with General Jaruzelski lasting more than four hours, that the general has finally conceded that he cannot expect to make progress with economic reforms without the consent of the people. That in turn means going a long way toward meeting the ideals of August 1980 which led to the formation of Solidarity. But not the revival of Solidarity and not with Lech Walesa in a starring role. If the pope has accepted this, he will be taking a big risk. It could easily end in more blood and tears. But he may judge it to be the only way forward.

—The Daily Telegraph (London).

John Paul II would not have been allowed to go to Poland had the regime not expected him to take a "constructive" position.

—Süddeutsche Zeitung (Munich).

Perhaps national reconciliation will be more easily achieved with Mr. Solidarity out of the limelight. But, if General Jaruzelski is to be allowed, as he says, to know the Earth is round, then new nations, then their freedom will not be worth much. Mr. Walesa is popular precisely because he emerged from the people, against the wishes of the authorities. He may yet have to be sacrificed. But the Vatican must be certain that the greater good of the community is guaranteed before such sacrifice is demanded.

—The Guardian (London).

### The Opposition in Japan

Voters once again decided to give the Liberal Democratic Party a stable majority probably because of their belief that a close balance between the LDP and the opposition parties would not be good for the country. It would be almost impossible to carry out the drastic

[fiscal and administrative-reform] measures necessary if the government had to remain constantly concerned with popularity.

The argument that everything would be better if the numerical strength of the LDP and opposition parties in the Diet were close is a dangerous illusion. What is really needed is for the opposition parties to struggle realistically for a change in government.

—The Daily Yomiuri (Tokyo).

### The Bible Is Good for You

Whatever President Reagan's reasons for proclaiming this "the year of the Bible," the Bible seems to be in need of one. In my part of the country, the Protestant South, an acquaintance with the King James Version could no more be escaped than the humidity. I was well along in years before discovering that there are people who don't know how David slew Goliath, or how Joseph interpreted Pharaoh's dreams, or how Samson lost his strength, or what happened to the Gadarene swine. Not to know such things still seems as strange to me as not to know the Earth is round. But together with other touchstones of the old literacy, the knowledge seems to be slipping away.

Why not set aside, for the moment, the considerations of faith and morals that might inspire an interest in "the year of the Bible," and dwell briefly on neutral benefits?

As a source of a sense of good English words, how they may be used with beauty, economy and clarity, the King James Bible is unbeatable. This is, of course, a familiar saying, doubted by many self-confident modern people, akin to the faith that the study of Latin is good for you. It would be hard to prove. But there is much about the state of written English today to suggest that some useful influences have been too lightly cast aside.

—Syndicated columnist Edwin M. Yoder Jr.,



## Another Try at Exporting Democracy

By Robert E. Hunter

WASHINGTON — Ever since Woodrow Wilson made his ill-fated pilgrimage to Versailles, Americans have wondered how to export democracy. Surely what has worked at home should serve equally well across the seas.

But Americans have become wiser in understanding that "between the idea and the reality... falls the shadow." While America could help historic democracies reassert themselves — as with the Marshall Plan, or later with Greece, Portugal, and Spain — exporting democracy in other cultures has proved difficult.

Yet the impulse remains to do what is possible to help nations that are determined to develop their societies and politics to enable greater numbers of people to participate. The ideal persists, and it has merit. It is the means that are in question.

The latest hopeful venture in promoting democracy abroad began in London in June last year when President Reagan proclaimed in the House of Lords that "it is time that we committed ourselves as a nation, in both public and private sectors, to assisting democratic development."

Again, the means and not the merits have been in question. Late last year the U.S. Information Agency proposed its "Project Democracy," designed to pump \$65 million into a complex of 48 programs of varying value. Capitol Hill's response was anything but enthusiastic, and included the widely expressed fear that such a government-run project could become tainted by ideology.

All was not lost, however. Out of the limelight, a parallel program was taking shape in the name of unlikely bedfellows: the Republican and Democratic national committees, plus big labor (the AFL-CIO) and big business (the U.S. Chamber of Commerce). Under the chairmanship of William E. Brock III, U.S. special trade representative and former Republican national chairman, top leaders of these organizations met frequently and have conceived a rival "Democracy Program."

In place of high-profile projects, the Democracy Program has modest and long-range goals: simply put, to bring Americans in the private sector together with people in other countries who would like help in developing democratic pluralism — whether in promoting free trade unions, publishing independent newspapers, learning the art of poll-watching or developing business programs.

Nor would this be a government effort. In an experiment loosely patterned after what Washington does for the arts and humanities, Congress

is considering whether to authorize a private National Endowment for Democracy, with a first-year price tag of \$31.3 million. It would run its own affairs within a charter set by law, subject to congressional oversight. It would delegate about half its funds to institutes that are offshoots of labor and business, with the balance split among other private groups.

At issue now is the role of the political parties. The House of Representatives has struck out a provision that would have earmarked \$5 million for each of two new institutes for international affairs recently set up by the Republican and Democratic national committees.

Yet who better to help democratic

political parties in other countries than Americans who practice politics in their daily lives? Who better to marshal the relevant experience?

There is nothing unique in the idea of involving the parties abroad, since it was borrowed from Western Europe — and especially from West Germany, where the four major parties have government-funded institutes that have enviable records.

There is an added benefit. Along with the U.S. Chamber of Commerce and the AFL-CIO, the parties may learn as much as they impart — no small thing for a nation still finding its way in a complex world.

Of course, there are potential pitfalls. Zeal could condemn the Na-

tional Endowment for Democracy as it has doomed so many other hopeful efforts. There is a risk of getting in over one's head, of seeing the projected largess from the Treasury as a ticket to go shopping in foreign bazaars, or of forgetting that democracy is a product to be gained by those who want it, not to be sold like soap.

No doubt Congress will hold the endowment closely to account. But in a world where so much is done in the name of letting or rightist ideology, instead of ideas that command bipartisan support, it's worth a try.

The writer is a senior fellow at Georgetown University's Center for Strategic and International Affairs. He contributed this comment to the Los Angeles Times.

## Some See Grounds for Skepticism

By Philip Ceyelin

WASHINGTON — When Secretary of State George Shultz first presented President Reagan's pet Project Democracy to Congress, the response of the critics ranged from quizzical to rude. It had a Ruben Goldberg table of organization to carry out mostly warmed-over programs of information and cultural exchange. Some of the new twists looked downright mischievous.

The basic premise — that the United States has been so busy handing out economic and military aid that it has never got around to handing out democracy — suggested the handiwork of innocents pumped up with ideological fervor. But this was high-priority presidential business. Had not Ronald Reagan, in the speaker of the Royal Gallery of the House of Lords, called for a "crusade"?

So Congress has been lobbied feverishly; private foundations and institutions have been primed for the role of agents of federally financed democracy-promotion overseas.

And thus it is that Congress will almost certainly pass a National Endowment for Democracy Act, and that before long the endowment will start funneling more than \$30 million a year to the Republican and Democratic parties, the AFL-CIO, the U.S. Chamber of Commerce, the Asia Foundation and other private bodies.

Expansion of existing cultural information activities of the USAID, and the addition of new ones, will run the annual cost up to \$65 million or more in the fiscal year starting next Oct. 1.

It will be expensive and flashy. But if you want a realistic measure of its potential, ask Ed Derwinski, a veter-

an of 23 years as a Republican congressman from Illinois, with experience on the House Foreign Affairs Committee, and now a counselor of the State Department.

He was glad to lend a hand with Project Democracy on Capitol Hill because he approves of the overall purpose, but he is politically street-smart enough to know that there is "not an awful lot" beyond the hype that is new or different about it.

Not even the idea of having private organizations do the government's work — with taxpayers' money — is new. What is different now is that no effort will be made to hide the U.S. government's hand, as was done in a rich variety of ways in the early Cold War days by the CIA.

In strictest secrecy, the AFL and the CIO accepted covert CIA subsidies to finance efforts to organize strong anti-communist trade union movements around the world. There was a reason for the CIA to hide the U.S. government's hand — whatever one thinks of the principle involved.

A U.S. stamp tends to row such activities of a good deal of their force. That problem, and a good many more, would seem to me to raise big questions about just how the Republican and Democratic parties are going to advance the cause of democracy with U.S. government money.

Mr. Derwinski has a partial answer: The two parties will be instructing foreign politicians not so much in the meaning of democracy as "the art of politics" — free elections procedures,

legitimate political behavior, political organization. As he sees it, the Democrats just naturally will be "working with those left of center" and the Republicans, equally naturally, "with those right of center."

Now that sounds like a fine idea, until you examine where this work will be done. Mr. Derwinski has no illusions that Project Democracy can be applied in any communist country. He estimates that there are less than 40 countries in the world with something resembling a two-party system and where, therefore, this kind of education might be operative.

One can imagine the Republican Party providing a political education course for the government of El Salvador. Would the Democrats join in, or would their opposition to Reagan policy in Central America incline them toward "educating" the left? If so, how long would it take then the Republicans to make a domestic political issue of the Democratic Party's "links" to a leftist Salvadoran political movement "linked" to a Marxist-supported insurgency?

Mr. Derwinski cites Argentina, the Philippines, Panama and Thailand as nations with the "trappings" of democracy and which could use a little instruction on how to establish the machinery. But I do not have a clear sense of how any U.S. administration, let alone the present one, maintains friendly relations with the government in power while one or another of America's two political parties is using government money to teach opposition forces how to win their way into office.

The Washington Post.

## A Legend Threatens Portugal

By Ken Pottinger

LISBON — Portugal's 15th post-revolutionary government, a Socialist-led coalition under Mario Soares, has taken office in the shadow of a 400-year-old legend that poses an authoritarian challenge to a tender-rooted democracy.

The legend concerns King Sebastian, who in 1578 led the fine flower of Portuguese youth to defeat and death at the hands of the Moors near Alcazarquivir in Morocco. The 21-year-old monarch was mourned loudly and long, and his loss gave rise to a myth that he would return in times of dire need and save his people.

Sebastian the Redeemer, a peculiarly powerful mystic presence in Catholic Portugal, is a phenomenon with widespread socio-cultural implications. His name has been regularly invoked in the nine turbulent years since democracy replaced a half-century-old dictatorship.

The military coup that engineered the changeover introduced a power-sharing system dividing governmental responsibility between elected parliamentarians and an elected president. It coupled this recipe for inclusive administration with proportional representation, a system that favors parliamentary coalitions over any outright party victory at the polls. The result has been a succession of revolving-door governments, whose average lifespan has been 7.5 months. There has been a failure to tackle fundamental economic and social problems, and a resulting national crisis is now rapidly approaching the breaking point.

The coalition of Socialists and Social Democrats that was finally sworn in on June 9, a month and a half after the elections, is widely regarded as Portugal's last chance to make the political system, as presently constituted, work.

The difficulties the government faces are daunting. Foreign debt stands at \$13 billion, or 55 percent of GNP. The balance of payments deficit, \$3.3 billion, is 14 percent of GNP. Portugal needs relatively large sums of new financing to meet short-term commitments, and there has been reluctance by international banks to lend money despite a comforting 688-ton gold reserve stacked in Lisbon's central bank vaults.

Socialist Prime Minister Soares, a genial 59-year-old who has twice before held the office, has launched an emergency economic program with measures that will be painful for all. Grave as his task is, it would be considerably eased if he were able to depend on a sense of national responsibility and collective solidarity from parliamentary deputies.

Regrettably, such conditions have never existed in Portugal's 250-member Parliament. On the whole, self-seeking, vainglorious and small-minded men stalk Lisbon's corridors of power. Cynics maintain that the reigning coalition is as doomed as any of its forerunners, with only the timing of its demise unknown. Already there are signs of the kind of conspiratorial tricks that have sunk so many previous governments.

Thus does the shadow of Sebastian gain form over desperate citizens pressing for solutions. If indeed Parliament fails to meet the electorate's expectations and fulfill the bloated promises of the revolution, few should be surprised if the popular tide swings in favor of alternatives.

For the moment the logical swing is toward the popularly elected president, General Antonio Ramalho Eanes, whose national standing has increased in direct proportion to the fall from grace of the politicians. But General Eanes is a reluctant hero who regularly declines to be pushed into any course of action that would be likely to endanger the present power-sharing formula.

There are strong forces in the parliamentary arena bent on curbing the emergence of presidentialist tendencies, yet Portugal seems destined to evolve, toward an executive-style presidency. Meanwhile, the struggle to keep Sebastian at bay goes on.

International Herald Tribune.

## LETTERS TO THE EDITOR

### CND Momentum

Regarding "Britain's Anti-Nuclear Drive Losing Momentum" (LHT, June 20) by Peter Owens:

Mr. Owens and I must have taken part in different interviews. I suggest that he return to London for our "No cruise, no Trident" rally on Oct. 22, which will be our contribution to the annual United Nations disarmament week. If he wants a place he had better come early.

Perhaps he is not responsible for the headline, which talks of the anti-nuclear drive "losing momentum" in Britain. Such my indeed be the fervent wish of those forcing on the reluctant populations of Europe yet more nuclear weapons. But the packed meetings which I have attended since the elections on June 9 tell a different story.

Perhaps, in my curious system of democracy, he did not gather that the Conservative government actually received slightly fewer votes than it did last time. Hardly a mandate for anyone's nuclear policies.

BRUCE KENT, General Secretary, Campaign for Nuclear Disarmament, London.

### Population Control

Regarding "Population Control: Progress, but Not Enough" (LHT, June 20) by Rafael M. Salas:

Mr. Salas clearly brings out the fact that although there is a trend of population decline in some countries, real and effective decline is possible

only if continued support is given to the population program in the Third World countries through the United Nations Fund for Population Activities, of which he is secretary-general. It is the most effective and acceptable relief agency in the world.

Special emphasis needs to be given to the youth population. People below 25 years of age constitute 60 percent of the total population in the Third World. No population program will be effective if this segment is not given priority.

SHIV KHARE, World Assembly of Youth, Copenhagen.

### Nannen and the Nazis

Regarding "After Shock Over Diet, Stern Is Struggling to Rebuild" (LHT, June 26):

William Drozdzick of The Washington Post writes, "Mr. Nannen's fascination with reports on Nazi affairs," according to some journalists who worked for him, came from a desire to justify the past and show how he had changed."

Henri Nannen was editor of Stern from its founding in 1949. It was Stern's publisher and therefore responsible for the editorial staff until 1970. Rumors that Mr. Nannen, although never a party member, had sympathies for the Nazi party were occasionally discussed, but thorough examination proved beyond doubt that Mr. Nannen never had such inclinations toward a party that he always considered criminal.

Soon after the Nazis took power

his father was fired from the civil service, charged with being nationally unreliable. Mr. Nannen's girl friend, a Jewess, left Germany secretly in 1935 with Mr. Nannen's personal help. She is still alive in Jerusalem and ready to confirm this.

GERD BUCERIUS, Publisher, Die Zeit, Hamburg.

### Disprovability

Regarding "Storm Over a New Theory of Learning" (LHT, June 23):

Concerning Dr. Sheldrake's "morphogenetic field" theory, the key task for the scientific community is not to develop tests which support the theory, but rather to devise tests which might disprove it. The capacity to be disproven is the distinguishing mark of true scientific theory.

EDWARD RUGDON, Leuven, Belgium.

### Attending to Taiwan

Regarding "A Caution to the U.S. on China" (LHT, June 20):

Congressman Stephen Solarz states that China is not "merely a place on a chessboard of strategic competition." Well, neither is Taiwan, but he and most other foreign policy analysts these days seem to write as if it were.

After living in Taipei for a year, I have little sympathy for the Kuomintang regime but I feel the island's 18 million people deserve better than to be dismissed as nothing more than an

amusing issue in international relations. Their numbers admittedly pale next to the 1 billion people in the People's Republic. However, when compared with the population of Central America, perhaps they might seem somewhat more worthy of sustained attention and consideration.

GARY F. NACHSHEN, Taipei.

### Japanese-Americans

Regarding "Reaction Split to Panel's Support for Paying Japanese-Americans" (LHT, June 18):

The venerable John McCloy defends the "benign" internment of Japanese-Americans during World War II by recalling the attack on Pearl Harbor and the horrors of Bataan. His amalgamation of Japanese-Americans with the Japanese imperial navy and army demonstrates a lack of understanding of the nature of immigration to the United States.

Logically, Mr. McCloy should advocate mass internment of Russian-Americans lest the KGB use them as fifth columnists.

ROBERT DUJARRIC, Paris.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

### The Blacks Belong

In response to "Modern Reservations" (Letters, June 24) from Franklin Johnson in Zurich:

Let us get some historical fact straight: The blacks in Africa are exactly where they came from. Indeed, if anybody should "go back home" it could only be the whites. The whites have no more right to the land than would a shipload of Chinese, say, who came ashore in scarcely populated English countryside and claimed everything in it as theirs.

As for cowboys and Indians, the Indians were an unprepared people isolated within one country, which made it easy to defeat them. Blacks, on the other hand, stretch farther than South Africa or America. There are millions of blacks around the world, and more and more of them are hoping for an end to the plight of blacks in South Africa.

DIANE HAMILTON, Paris.

### Fly Air Smoky

Regarding the matter of smoking in airplanes, may I suggest having smoking and non-smoking flights instead of sections. The non-smoking flights will depart as usual and fly to their regular destinations. The smoking flights will leave whenever they have a load of co-addicts, the destination being wherever the plane has to make an emergency landing.

WILLIAM A. SIMPSON, Hsin Niu, Thailand.

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ARTS / LEISURE

# New 'Breathless' Runs Out of Breath

By Thomas Quinn Curtiss

PARIS — "Breathless," billed here as "A bout de souffle," is Jim McBride's updated, California adaptation of Jean-Luc Godard's first directorial project in 1959. Had McBride settled on another title — "Flesh and the Devil, L.A." or "Death in Venice, California" — it is unlikely that any resemblance between the two films would have been detected.

The original's scenario was not by Godard, but by another New Wave pioneer, François Truffaut. It was far more conventional than the subsequent, intensely personal scripts signed by Godard.

The story it told — that of a Parisian *young man* (Jean-Paul Belmondo) who, between committing felonies, carries on a romance with an American girl (Jean Seberg), a T-shirted vendor of the *Harvard Tribune* — was of B-picture flimsiness. The film was sardonically dedicated to the quondam Monogram studio, which specialized in B material and which — like Godard — was obliged to function on low-budget direction. What distinguished the original was its spirited direction, the appeal of its two principals, its reckless "all for love" attitude in the face of disaster, and its racy repartee.

To transpose the sharp flavor of its talk into another language was a problem that troubled its export, Irving Shapiro, who had undertaken

in its U.S. distribution, came to consult me about that burlesque. A British translator had made a lamentable job of the English subtitles and the exhibitor was in despair. Some of the gaffes in the tiling were funnier than the French dialogue, but this was cold comfort. The only thing to do was to find Americans then in usage that would reproduce as far as possible the bright Gallic chatter. The film had a surprising success in the United States and since has been enshrined as a cult classic. No doubt by now the Americanization of 1959 *argot moderne* is antiquated, but movies are for their moment and "A bout de souffle" has been cribbed by a host of copycats and after the passing of two decades probably looks like an imitation itself.

McBride, a graduate of New York underground cinema, has surfaced into as promising professional director. He has improvised the old Truffaut plot with all sorts of innovations, changing its scene to California and reversing the nationalities of its lovebirds. The man is now a petty American gangster who leads a carefree, luxurious life, stealing sports cars when he wants to travel — his low-rank underworld employment keeps him on the constant go — and dallying amorously with all the girls he can find between his illegal missions.

The heroine in the change-about is French-born and has enrolled in a Los Angeles university to study architecture. Away from her studies she allows her instincts wide range and as an attractive young woman has a collection of beaux. She engages in a passing flirtation with the anti-hero protagonist, but he, enslaved by her charms, forces their weekend holiday liaison into a grand and fatal passion.

The contrast of their personalities is tellingly exposed by McBride's treatment. The lover is more monkey than man, a happy-go-lucky moron whose daring is inspired by comic books of the "Superman" order and whose actions and reckless driving are in rhythmic beat with the music of Jerry Lee Lewis, while the girl wades through Faulkner and is a typical example of the French bluesstocking.

The vehicle, however, is a melodrama and, though the clever characterizations lend it depth, it must move swiftly and excitingly. Under McBride's guidance it maintains its advertised breathless pace with auto chases, shootouts and double-crossings as the violent



Richard Gere, Valerie Kaprisky in the new "Breathless."



Jean Seberg and Jean-Paul Belmondo starred in original.

background for its flamboyant tale of sudden love and sudden death.

Richard Gere as the extrovert hoodlum — and sometimes minus his spiffy finery in bonafide and shower interludes — bounces about in seizures of euphoric exhibitionism, like a liberated tennis ball. He cuts up with such enthusiasm that his robust impersonation merits a bonus. Valerie Kaprisky suggests the French salon intellectual amid the alien corn, but with none of Jean Seberg's touching vulnerability. The triumph is McBride's. He has transformed the venerable

hookum into a lively show, displaying his mastery of cinematic fireworks.

The famous "Napoleon" of Abel Gance, after its projections in restored form to cheering crowds at Radio City in New York and in the Roman Colosseum, is at last to be shown in Paris. It will have three performances July 22, 23 and 24 at the Palais des Congrès under the auspices of the Cinéma-thèque Française. Carl Davis will conduct the Colonne Orchestra in a score he has devised, as its musical accompaniment.

# 'Inner Voices' Is Enthralling

By Sheridan Morley

International Herald Tribune

LONDON — The Neapolitan plays of Eduardo de Filippo have come, in English translation, to mean Joan Plowright slaving over a hot stove while around her (in "Filumena" or "Saturday, Sunday, Monday") was celebrated the full Catholic complexity of southern Italian family life. "Inner Voices," now in a British premiere on the National's Lyttelton stage, is therefore something of a surprise: In a translation by N.F. Simpson, it is a play more sordid and sinister than the two cosy Waterhouse-Hall jobs of the recent past. We have a thoroughly mysterious black comedy dating from 1948 and offering an altogether less lovable view of Neapolitan family tradition.

In form, the play owes much to Pirandello, with whom de Filippo worked when young. It concerns a loony old gaffer, immortally played as to the manner born by Sir Ralph Richardson, who accuses his next-door neighbors of murder, only to have to announce — when he is confronted by a certain lack of evidence and a walking corpse — that the killing actually happened in a dream.

But that is just the beginning: de Filippo's play is not about an actual murder, but about the possibility of murder in a city where all decency has already been murdered by the war. He is writing about the killing of, rather than a killing in, the family, and accordingly his old familiar characters start looking rather less lovable than usual.

There is Robert Stephens as the neighbor, fully prepared to kill the old boy if there really should be evidence of a prior death. Worse still, there is Michael Bryant as the old boy's brother, already starting to deal behind his back in the embrace of the secondhand furniture store to which they live. It is this set, lovingly built in London by de Filippo's own designer, Raimonda Giardini, that superbly summarizes the clutter and confusion of his Naples — a city where everything and everybody is now for sale with the exception of one splendidly mad old uncle (Daniel Thorne) who will now only communicate from his loft by means of fireworks.

"Inner Voices" is a hastily written, often shambling but ultimately enthralling piece of eccentric drama about the killing of prewar faith and relative values, and in Mike Ockrent's admirably agile production Richardson, Stephens, Bryant and Thorne come superlatively together to remind us of the great Olivier days when the National Theatre meant a group of

resident star players instead of a cluster of disparate stages.

Nothing in Richardson's previous work lies closer to his performance here than "An Inspector Calls," the J.B. Priestley mystery which bears to "Inner Voices" a quite remarkable similarity in attitudes on the collapse of family life as well as in the arrival of a dreamlike stranger. By chance another of Priestley's time-warped dramas is now on rare view at Chichester. "Time and the Conways" is the one about the well-heeled suburban family celebrating a 21st birthday in 1919. At the end of the first act, the birthday girl has a vision of what life will be like for them all on her 40th birthday, and we are then taken forward to 1919 as the end.

Though the play is officially based on J.W. Dunne's complex and now unfashionable theories of time as a continuous present rather than a separation of past and future, it survives as a somewhat creaky drama of lost hopes. There are six Conway children, watched over by Google Withers in cascading form as their egotistical mama. One is to die at 21, another takes to the bottle, the birthday girl who plans to be a great novelist ends up a hack journalist, another daughter makes a disastrous marriage for money and a fourth ends up a lonely butch schoolmarm. Only the son who had no expectations beyond that of a clerk's job in the town hall finds life working out much as expected, but though Peter Dink's fine and thoughtful production is sturdily cast (Julia Foster, Lucy Fleming, Simon Williams, Alexander Bastard) nothing can disguise the fact the "Time and the Conways" would nowadays be written as a six-part television soap opera for Sunday afternoon viewing.

To the Criterion from its success at Riverside and all over the free world has come "Woza Albert!" — the triumphant two-man show in which Percy Mwa and Mbongeni Ngema conjure up an 80-minute vaudeville based on the notion of a second coming of Christ to pre-

ent-day South Africa. Built on a series of improvisations under the direction of Barney Simon, "Woza Albert!" is vastly less structured than the more familiar South African work of Athol Fugard, but it does allow two extremely versatile players to rampage through a series of confrontations with apartheid lunacy as local officials try to cope with a new messiah ("Christ is back and South Africa's got him!") in much the same officially hypocritical way that Poland has recently been coping with the visit of a pope. "Woza Albert!" is an extremely political satire disguised as a revue sketch, and though at the Criterion it loses some of the vibrancy of its street-theater origins, it is still unmissable.



Ralph Richardson in "Inner Voices": Dreams of murder.

# European TV Channel Will Go on Air in 1984

By Bjorn Edlund

Reuter

BRUSSELS — European television viewers will soon be able to start the day by watching "Good Morning Europe," a new breakfast show by a pioneering European television channel.

Hoping to reach an audience of 300 million, the European Broadcasting Union hopes the experiment, which starts next year, will lead to a full-range service beamed across Western Europe by satellite by the late 1980s.

The venture has the support of the 10-nation European Community, which said in a recent report that it was a chance to "capture the sense of European culture."

In a test carried out by five EBU stations last year and monitored by television executives in 15 countries, sound tracks in six languages, with subtitles in others, were sent along with the video signal.

Klaas Jan Hindriks of the Netherlands, EBU program planner, said weekend blocks of prime-time TV will be broadcast from next March and a full range of programs, six to eight hours a day, from September next year.

"We are aiming at the media landscape of 1990," said Hindriks. A start-up team is already working on a "completely new approach in style," he said.

For the community, the main interest appears to lie in a Europe-wide news program produced without national bias.

"A European newswoman is a fascinating idea," said Robert Jarrett, a senior information official at the

community's executive headquarters here.

"Nobody is talking about just community news, that would be a sure way of putting people to sleep," he said. "It would be the most important news on a European scale."

Unlike radio broadcasts, which most governments allow to unhindered into their territories, authorities want to keep television closely regulated, Jarrett said.

The EBU's chief reason for getting the European program on the air quickly is to beat commercial enterprises.

By agreeing on a starting timetable for the channel, EBU members committed themselves to ironing out legal wrinkles in their rules and to laying down regulations for cross-border television in Europe, Hindriks said.

Jarrett said the ambitious plans depended on finding a solution to a dispute between EBU member nations over advertising, which would be needed to help finance the possibly multi-million-dollar annual budget.

One suggestion is to blot out advertising in the signals to Belgium and Sweden, the only states among the EBU's 30 members who do not allow it on television.

Films and feature material already fill about half of Europe's air time and experts predict a booming new market for filmmakers.

By 1990, the average European is expected to have a choice of 30 cable outlets, three European satellite programs and three national channels — about a million hours a year.

# Akbank launches a new venture with a London-based Ak International Ltd.

Ak International was established in London specifically to meet the growing needs of businessmen active in British-Turkish trade. It is a licenced deposit-taker and the first Turkish-owned subsidiary offering full banking services outside Turkey.

Ak International brings the expertise and extensive resources of its parents: Akbank, long a front-runner among privately owned Turkish banks, and the Sabanci Holding, Turkey's largest industrial group.

As of June 27, 1983, there is an institution in London capable and eager to provide specialist financing for trade between Britain, Turkey and major Middle Eastern countries whose commercial ties with Turkey have been growing substantially.

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## INSIGHTS

# Few Growing Pains for Jeddah

## Money and Careful Planning Make It a 'Model City'

By Joseph Fitchett

International Herald Tribune

JEDDAH — A byword for Arab boom towns that were unlivable at any price during the oil rush, Jeddah has changed into a city that rates praise, and even bemused affection, from most Western and Saudi residents.

This city spends money at a rate defying comparison with the penny pinching of most of the exploding cities in developing countries — \$400 million last year just for the streets.

But the modernization of Jeddah, a Red Sea port, involved more than just throwing big money at big problems. Influenced by a crusading young mayor, Jeddah succeeded in domesticating its wild growth of the 1970s with spectacular planning and city management as aggressive as Saudi Arabia's extravagant spending.

The result, according to a longtime Western resident, is "a comfortable city, especially by Arabian standards; a model for the region." The region of Arabia, in general, has little urban tradition, and even in Jeddah most Saudi families, a Saudi businessman said, "prefer to live in the outlying new districts, with a walled private house." But, he added, "we like the wide streets making driving easy."

Eye-popping promises for Jeddah — the world's largest airport (bigger than Manhattan), longest corniche, most sophisticated computer for urban management — have materialized, freeing the flow of activity in the city, which five years ago seemed hopelessly clogged.

Many people care even more about smaller amenities that take more sense than money. For example, Jeddah's streets were recently named, so now mail can be delivered at home, not just to post office boxes.

Shopping for anything from pastries to sports cars offers the world's best brands, and the newest shopping mall stays open until 3 A.M. on special occasions. Sports and restaurants are also drawing more Saudis out of their homes.

For travelers, hotel service has improved out of recognition, and international phone service matches that of most Western cities.

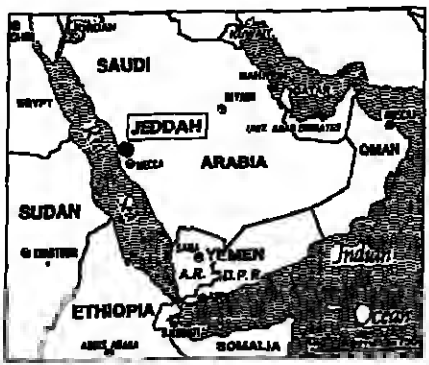
But Jeddah is still classed officially as a hardship post for many Western embassies. The weather is oppressively hot and humid and prices are sky-high except for gasoline at 35 cents a gallon (about nine cents a liter).

Public puritanism imposed by Wahhabism, the stern form of Islam practiced in Saudi Arabia, has become even more rigorous since the Iranian revolution. Drinking of alcohol is rare and more severely punished. Women, who are forbidden to drive a car or engage in work or sports that might expose them to contact with men, are finding fewer Saudi establishments able to bend rules to hire them.

But Jeddah, a port which has traditionally been the nation's commercial center, is subtly more relaxed than Riyadh, the austere Saudi capital where foreign businessmen and diplomats are now starting to reside in large numbers.

Recently in Jeddah, for example, the authorities discovered that passengers on the upper level of the city's new double-decker buses could see women in tennis clothes on the courts of a compound inhabited by Americans. The compound was asked to raise the height of its walls. But if a similar situation arose in Riyadh, where the cane-wielding morals police are more intrusive, the reaction could well be curtailment of co-ed sport.

These nuances matter acutely both to Westerners and to many Saudis. As a result, some Saudi families have bought weekend houses in Jeddah. Many Saudi women, one of them commented, feel less pressure from conservatives in



Jeddah — "nothing tangible, just a tone or feeling." Symptomatically, Saudi women seem more accessible to contacts with Western women in Jeddah, although even here Saudi families tend to keep largely to themselves.

To account for its more liberal tone, people note that Jeddah is a gateway city for desert-locked Riyadh — as Alexandria is for Cairo, Beirut for Damascus or Rio de Janeiro for Brasilia.

Before the oil boom, although memories of bustling Red Sea commerce persisted, Jeddah had declined into the dead, airless casbah described by T.E. Lawrence in 1919.

The city was later captured by the bedouin warriors of Ibn Saud, founder of modern Saudi Arabia. Ibn Saud, intent on taking control of Islam's holy places in nearby Mecca, in 1925 forcibly incorporated the Hejaz province and Jeddah, its port, into his desert kingdom.

Current local feelings about Jeddah emerged in a recent article by a prominent Egyptian journalist. After seeing New York's crisscrossed sidewalks and Cairo's slums, he wrote, Jeddah was a pleasant surprise with its well-paved streets, comfortable suburbs and lively corniche.

Asking people why Jeddah had turned out so well, his story continued, "I discovered that a dynamic young mayor, Mohammed Farsi, has imposed his vision on the city — and is making companies pay to beautify it."

The article — and particularly the reference to Mayor Farsi's enthusiasm for corporate endowments of sculpture for the city — caused some resentment among Saudi officials over suggestions that Jeddah and its mayor get special backing from King Fahd. But the king clearly enjoys life in Jeddah.

Mayor Farsi's most talked-about innovation is the monumental urban sculpture — 240 pieces of already, lurching in quality from Islamic Moorish to kitsch known locally as Saudi Gaudi. A gigantic thumb by the French sculptor Cesar has been stored because of religious objections to a human likeness, but Jeddah residents delight in showing visitors a Rubé Goldberg-style machine made from parts from the city's first desalination plant or a 50-foot (15.2-meter) bicycle, its wheels scavenged from Jeddah's copper-extruding mill.

Every piece has been financed by companies. Since there are no municipal taxes, Mayor Farsi argues, business can afford philanthropy.

A U.S. oil company gave a quarter-million-dollar sundial, and a Saudi construction firm commissioned, reportedly at a cost of nearly \$1 million, a form resembling a giant winged scorpion. "Nobody is claiming the program is an artistic success," an enthusiast says. "But it's fun. You never know what you'll see next."

Riyadh, in comparison, is still a motley construction site. Although the country's political

capital, it remained much poorer than Jeddah until the late 1970s.

But its revenge is coming. Embassies have been ordered to move by 1984 to Riyadh, and a special diplomatic quarter is being readied on the capital's outskirts. Although foreign airlines are not allowed to fly directly to Riyadh, the country's own carrier, Saudia, is expected to move its headquarters from Jeddah to Riyadh.

Until recently, Jeddah's development was a natural priority for Saudi Arabia. The "Islamic port of Jeddah," as it is officially named, was the kingdom's showpiece, especially as the traditional landfall for Moslem pilgrims. During the oil boom, Jeddah, the main Saudi port, was a bottleneck choking the entire country.

Its problems were staggering. It was beginning a decade in which its population would more than triple to 1.3 million and its built-up area would multiply six times. At the worst, ships had to wait three months to unload, and then food and building supplies often were ruined as they sat at dockside.

Overbooked hotels brusquely turned away travelers with reservations. The streets were congested with cars. An estimated 80,000 wrecked vehicles sat where their owners had left them. Mounds of uncollected garbage gave Jeddah a pestilential air and nourished dog packs. Older residents assert that a tree downtown was the city's only greenery.

Mr. Farsi, 38, a U.S.-educated urban planner, was named mayor in 1973 and quickly became a familiar figure, darting around the city at the wheel of his radio-equipped black limousine to oversee the key changes in the ensuing decade. "Planning was just a word in Saudi Arabia," a municipal aide said, "but Jeddah really put it into action."

First, the spectacular new airport replaced the port as Jeddah's international hub. Now, both freight and people tend to come and go by air.

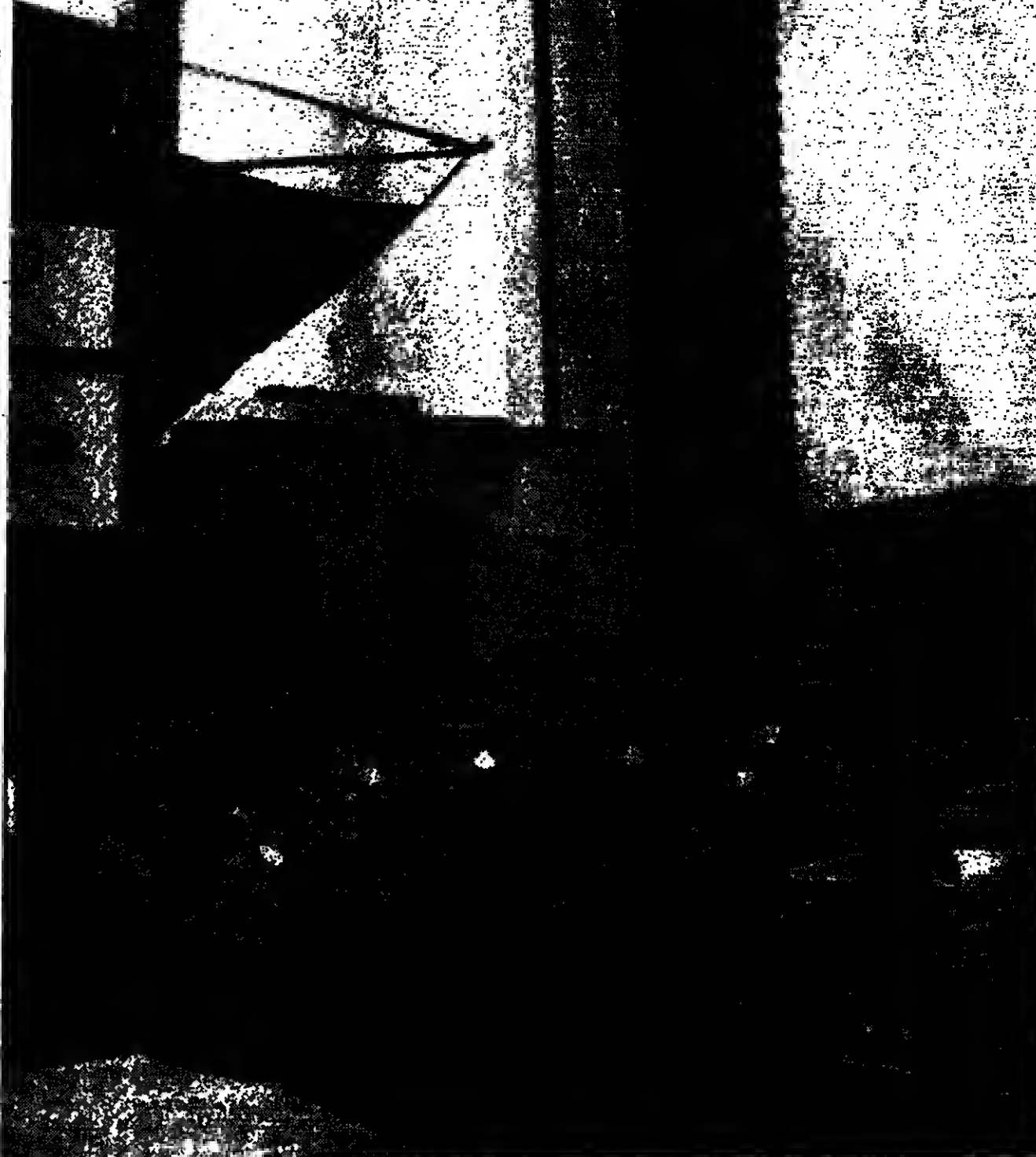
Beside the air-conditioned marble terminal, Moslem pilgrims — more than two million a year, most during the monthlong hajj, or annual pilgrimage — use a special transit city, whose suspended roof of glass fabric resembles a giant white tent and covers 100 acres (40.5 hectares). The pilgrims, besides accounting for nearly all the kingdom's tourist business, fall within the ruling al-Saud dynasty's duty to protect Islam's holy places.

On the twelve-and-a-half-mile drive (20 kilometers) from the airport, the highway is lined with whitewashed apartment buildings, showrooms and light manufacturing plants. This stretch, desert five years ago, today contains some of Jeddah's millions of newly planted trees and shrubs. Planners say they already have slightly cooled the torrid Red Sea climate.

Jeddah itself has been reopened to the sea thanks to a four-lane corniche along 30 miles of shore. Largely built on reclaimed land, the highway resculpted the Jeddah coast and skyline.

The corniche also restored access to the beach, which previously was cut off by private dwellings, including one belonging to Mr. Farsi. Now Saudi families drive onto the sand, circling their cars for privacy so women can wade in their dresses while the men swim and fly kites. Better-off Saudis prefer the privacy of beach houses, outside Jeddah for water-skiing and smoking amid Red Sea reefs.

The mayor is hoping to attract some Saudis back to the city center to live. To clean up the city's garbage, Jeddah in effect turned over municipal sanitation to the company Waste Management. The U.S. company, with several thousand Asian laborers, has swept all before it, re-



A skyscraper looms over a shopping street in an older section of Jeddah.

moving 3,000 tons of refuse a day — double the amount expected.

Also, the city is restoring, with imported Tunisian craftsmen, old downtown merchant houses, many built of coral rock and fitted with screened wooden balconies.

For visualizing such changes throughout Jeddah, the city has started to rely on a computerized planning tool known as the Jeddah Integrated Mapping System. Aerial photographs of the city have been fed digitally into JIMS, which can now display any section of Jeddah, on any scale, and superimpose planning data.

Amid such lavish development, Jeddah has had its share of corruption and of white elephants.

Land speculation has produced fortunes for local residents, but Saudis generally view this as simply part of the system for distributing the oil wealth.

The "towers of silence" is the local name for a mini-city of apartment buildings meant to provide low-cost housing but inexplicably left uninhabited. Remodeled old houses, some of which have now become dormitories for immigrant workers.

Auxiliary to give Jeddah a distinctive look, Mr. Farsi recently decreed that all buildings were to be whitewashed in keeping with his interpretation of Moslem architectural tradition. Teams of painters appeared at homes and offices brandishing the order and were dutifully hired to whitewash.

Some people gossiped about alleged ties between the enterprising firm and Mr. Farsi, but a widespread view is that Jeddah's residents generally benefit more than many communities in Saudi Arabia from the funds earmarked for them.

# Tobacco Farmers Are Caught in the Middle as U.S. Grapples With Subsidies

By Ferrel Guillory

Washington Post Service

RALEIGH, North Carolina — Bobby and Lois Stephenson operate a family farm. He tends their 60 acres of tobacco. She takes care of the books. They live on the edge of anxiety.

Like tobacco farmers throughout the southeastern United States, the Stepheonsens worry that Congress will abolish the federal program that ensures the living they earn from their crop. The government regulates tobacco farming by restricting how much can be grown and by guaranteeing farmers a base price for the leaf.

If the tobacco program were to end, "we'd stop farming," Mrs. Stephenson said. "That's our only security, and that's very little." Her husband, sounding less certain that they would quit farming, asserted, "We'd be at the mercy of the tobacco companies."

Should Congress worry about the Stepheonsens, who, after all, grow a plant to which the government attributes more than 300,000 deaths annually? Or to put the question as it usually is posed in Congress, isn't it a contradiction for the federal government to aid tobacco farmers while simultaneously warning of the dangers of smoking cigarettes?

The question is a perennial of Washington politics, as hardy as the green tobacco plants that sprout in the sandy soil of eastern North Carolina. But the answer that may appear self-evident from afar does not seem quite so clear up close.

## 'Health Enemy No. 1'

Even Joseph A. Califano Jr., the former U.S. secretary of health, education and welfare, came to understand that it is not unreasonable for the federal government to encourage people to avoid smoking and to subsidize tobacco farmers.

Mr. Califano called cigarette smoking "public health enemy No. 1." But in his book, "Governing America," he wrote: "As I reflected on the cigarette habit, I realized that not one person would quit or not start smoking if price supports didn't exist. The subsidy had nothing to do with any individual decision to smoke; if anything, it made cigarette smoking more expensive."

And yet, on the ground that the government should not give support to what many consider a poison, members of Congress prepare legislation to do away with the program, which is under great strain of its own, due in part to the high price of American tobacco.

The debate has been joined again as Representative Charlie Rose, Democrat of North Carolina, and Senator Jesse Helms, Republican of North Carolina, have agreed to seek legislation to cure the program's ills. Senator Jake Garn, Republican of Utah and the sponsor of legislation to abolish tobacco subsidies, has called the government's dual policy an "offensive paradox."

But if it is a paradox, is it necessarily unacceptable? To answer that question another question must be posed: Is the United States

prepared to make the growing of tobacco and the manufacturing and smoking of cigarettes illegal?

No one in Congress has proposed such a ban. The country has no stomach for another Prohibition.

Tobacco, therefore, assuredly will remain a legal commodity. Its growing will continue. So long as it is legal, the cigarette manufacturers doubtless will obtain tobacco, one way or another.

In deciding the future of the tobacco program, then, the issue before Congress is not the stopping of smoking, but whether to set in motion a change in the system for growing tobacco.

**Legacy of the Depression**

The system under which tobacco farmers like the Stepheonsens operate originated in the Depression as part of the New Deal's Agricultural Adjustment Acts.

Until then, farmers had difficulty adjusting supply to demand, regularly overproducing. Prices dropped precipitously from 1928 to 1932. Buying of tobacco was dominated at that time by three U.S. cigarette makers and two foreign companies, and the death of competition was working to the farmer's disadvantage.

Bobby Stephenson's father, Wade Hampton Stephenson, named for the Confederate cavalry commander under whom his grandfather fought — recalled that in the 1930s, farmers were losing their land and "all of a sudden were becoming tenant farmers." The Stepheonsens, father and son, own land about 25 miles (40 kilometers) southeast of Raleigh.

"We were living with no plumbing in the house, no electricity, no roads, no automobile," said the elder Mr. Stephenson. He considers the creation of the tobacco program and the Rural Electrification Authority as the start of his personal turnaround.

"We began to have a little money left to buy a refrigerator and a washing machine," he said. "The lights began to come on."

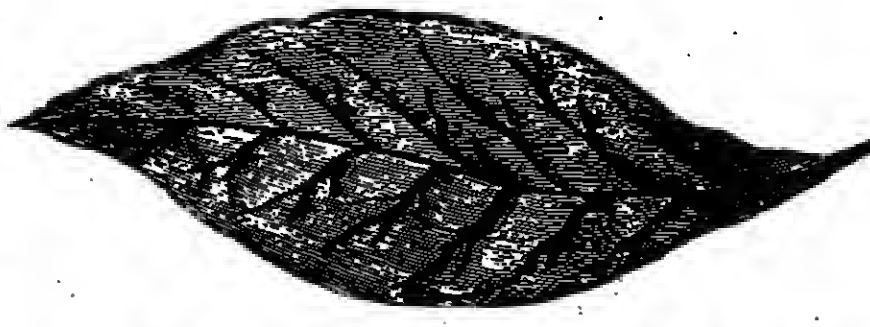
As a consequence of the stability and the protection afforded by the tobacco program, Wade Stephenson said, he built a modern house, and his four children went to college. "We couldn't maintain our church and our community without it," he said.

Although the pride of tobacco farmers would not allow them to put it in these terms, federal price supports in effect have served as a social program. They have helped to preserve farmland and are a source of stability for farmers and the bankers and merchants with whom they deal.

## Farming With Style

It is impossible to say that any single tobacco farmer is typical. Tobacco is produced on 203,000 farms, whose operators range across the spectrum in age, income and education. Nevertheless, Bobby and Lois Stephenson exemplify the modern tobacco farmer.

They own a 123-acre (50-hectare) farm, on which they live in a restored 1910 farmhouse. Two of their four children, all daughters, have already gone to college. The family grows corn,



soybean and wheat, mostly to justify their investment in land and equipment and to provide some crop rotation. But the Stepheonsens clearly consider themselves dependent on tobacco.

Last year, for example, they got a yield of 100 bushels per acre (3,200 liters per 4 hectares) of corn, which sold at \$2.10 a bushel, for a gross income of \$2,100 per acre. They got 2,300 pounds (1,035 kilograms) of tobacco per acre, which sold at an average of \$1.80 per pound, for a gross income of \$4,140 per acre.

Mr. Stephenson holds a 10-acre allotment, which is the government-granted license to grow tobacco. It is through allotments that the tobacco program controls production. The law, however, permits the leasing of allotments.

Through such leases from other allotment-holders, Mr. Stephenson acquires the right to grow an additional 50 acres of tobacco. Mr. Stephenson grows more tobacco than the average farmer, but his operation illustrates two significant developments.

One is the trend, spurred by mechanization, toward larger farm units. In 1964, the average 10-acre-tobacco farm was five acres; by 1979, it had grown to 13.8 acres. Such tobacco is cured with heat transmitted through a flue without exposure to smoke or fumes.

The other development is the dramatic increase in the incidence and cost of leasing. The federal government has issued \$45,000 allotments or quotas, but substantially less than half of the allotment-holders actually grow tobacco themselves. Rather, they earn money by leasing their allotments to farmers.

## Ownership by Nonfarmers

Through land sales over the last 50 years, allotments have come to be held by such non-farming entities as banks, Duke University, the Carolina Power and Light Co. and some local governments. Allotments are also held by elderly farmers and widows, who consider earnings from leases part of their retirement income.

Mr. Stephenson paid \$50,000 last year for the 50 acres of allotments he rented. Among the eight farms from which he rented allotments, four are owned by, as he calls them, "widow women."

After Mr. Stephenson and other farmers harvest their tobacco, they take it to a warehouse, where it is auctioned to buyers for domestic cigarettes and manufacturers and exporters.

If no buyer bids more than a penny per pound above the federal support price, the to-

bacco is bought by a farmers' cooperative — in North Carolina, it is the Flue-Cured Tobacco Cooperative Stabilization Corp. — with money borrowed from the federal government. The corporation then attempts to resell the tobacco and, when it does so, it pays the government back.

Since the inception of the tobacco program, the U.S. Commodity Credit Corp. has made \$5 billion in loans to tobacco-farmer cooperatives. The U.S. Department of Agriculture reported in 1982 that the CCC had losses of \$57 million in unpaid principal and \$152.8 million in unpaid interest.

Except for annual operating expenses, these losses form the bulk of the federal subsidy. Coming over five decades, the average loss of \$4 million a year by the government has been relatively modest in an age of multibillion-dollar budgets.

## Future Is Precarious

However, the tobacco program is showing its age. It could collapse unless reformed.

The federal price support has been indexed to inflation and has risen steadily. It now averages about \$1.75 per pound.

U.S. tobacco is being priced out of the world market. Hugh C. Kiger, executive vice president of the Leaf Tobacco Exporters' Association, says that the U.S. share of world exports of flue-cured tobacco fell from 60 percent in 1966 to 28 percent in 1981.

Now, 31 percent of the tobacco in U.S.-made cigarettes was grown overseas, whereas it was 14 percent 10 years ago.

Not only has competition from foreign-grown tobacco stiffened, but the domestic sales of cigarettes have flattened.

Sales dropped from 640 billion cigarettes in 1981 to 634 billion in 1982. In response to depressed demand, the U.S. Department of Agriculture has steadily decreased quotas in recent years.

Despite reductions in marketing quotas, the Stabilization Corp. has a glut of unsold tobacco. Last year nearly one-fourth of the flue-cured tobacco grown was not bought by companies; and the cooperative took in 280 million pounds under government loan. Now the corporation holds 660 million pounds of unsold tobacco.

In an effort to reform last year, Mr. Rose and Mr. Helms won enactment of legislation that required farmers to pay a fee so that the price-support system would be operated at "no net

cost" to the taxpayer. The legislation also required participating corporations to sell their allotments to farmers.

In a second effort to coax the program back to sound financial health, Mr. Rose and Mr. Helms have reached a general consensus on new legislation to impose a freeze on tobacco-price supports and to place restraints on leasing of allotments.

Some congressmen, such as Representative Thomas Petri, Republican of Wisconsin, point to such developments as the widespread leasing of allotments at high rates as reasons to abolish the tobacco program. Indeed, some tobacco farmers, disenchanted over the high lease rates, have urged a return to a free-market system.

But the fundamental question remains: Should Congress worry about the Stepheonsens?

Charles R. Fugle, an economist for the agricultural extension at North Carolina State University, has done extensive analysis of the consequences of eliminating the federal tobacco program. His findings are that the price of tobacco would drop; production of tobacco would increase; land whose value has been enhanced by a tobacco allotment would drop in value; a consolidation of farm ownership would ensue.

Following such occurrences, there would be some farm foreclosures and then U.S. tobacco exports would go up. Because tobacco is a relatively small part of the price of a cigarette, consumer prices "would not be greatly affected."

Without the program, said Frank Bordenax, an economist for the North Carolina Department of Agriculture, "The farmer would be re-exposed to the very conditions he's been trying to get away from all these years."

Mr. Bordenax added, "Many of these people aren't as autonomous as they think they are." The major cigarette companies, of course, have supported the program. It gives them a reliable supply of high-quality domestic tobacco. And by supporting farmers, the cigarette companies preserve a broad political base for their campaign against anti-smoking efforts.

Although the tobacco lobby is often viewed as a unified juggernaut, the farmers and the companies do not share equal financial power. Farmers still must sell to a relatively small number of buyers. The major cigarette manufacturers could cope much better with an elimination of the federal tobacco program than could the average farmer.

## 'Tenant on Your Own Farm'

After all, U.S. tobacco companies have diversified, and several of them exist in the realm of multinational conglomerates. R.J. Reynolds, for example, also owns the Del Monte Corp., a liquor distributor. Philip Morris Inc. not only makes money from tobacco, but also from the Miller Brewing Co. and the Seven-Up Co.

Further, U.S. companies have assisted foreign tobacco growers. R.J. Reynolds has 90 paid agricultural-extension agents in Brazil and also employs 3,000 Brazilians to farm tobacco.

If the tobacco program were eliminated, the current system for selling on the warehouse floor could be maintained without government

involvement, but this is not what agricultural interests in tobacco-growing territory think would happen.

Mostly, farmers believe the companies would opt for a contract system — an arrangement under which the company would pay a certain amount to a farmer for growing a certain quantity and quality of tobacco.

"You'd be a tenant on your own farm and couldn't move," said Bobby Stephenson.

Another possibility would be for cigarette manufacturers to become tobacco-farm owners, assign farm managers and grow their own. An agricultural-extension agent in eastern North Carolina reported being approached for assistance recently by a consultant for a cigarette company seeking to study what it would take to run a 1,000-acre tobacco farm. The cigarette manufacturers have experience from their operations in foreign countries to draw upon.

An abrupt end to the federal program would inevitably mean considerable economic dislocation in the tobacco-growing counties in North Carolina, Kentucky and elsewhere in the Southeast. But are there other ways for farmers, as well as farm suppliers, to make a living?

## Case for Diversification

Some agricultural diversification already has taken place. Tobacco now represents about one-third of the farm receipts in North Carolina, down from 47 percent in 1955. Also, state government aggressively has sought to recruit new industry.

It is going to take more time, however, for North Carolina and other states to achieve the economic diversification to ensure a sound living for farmers and other rural residents. Representative Henry Rees, Democrat of Wisconsin, has proposed that the federal government provide financial assistance for wanting tobacco farmers away from their crop in much the same way the United States has sought to cut overseas production of heroin.

Although Mr. Rees's proposal has not been received favorably in tobacco-growing areas, economic diversification remains one of the chief challenges facing the tobacco states. And retaining the tobacco program would give these states the time needed to develop economic alternatives to prepare for the potential decline in tobacco consumption.

Simply to abolish the tobacco program would be to ask the states to go through a sudden withdrawal from their economic, cultural and historic addiction to tobacco.

However contradictory the government's policies toward tobacco may seem, a case can be made for the dualty.

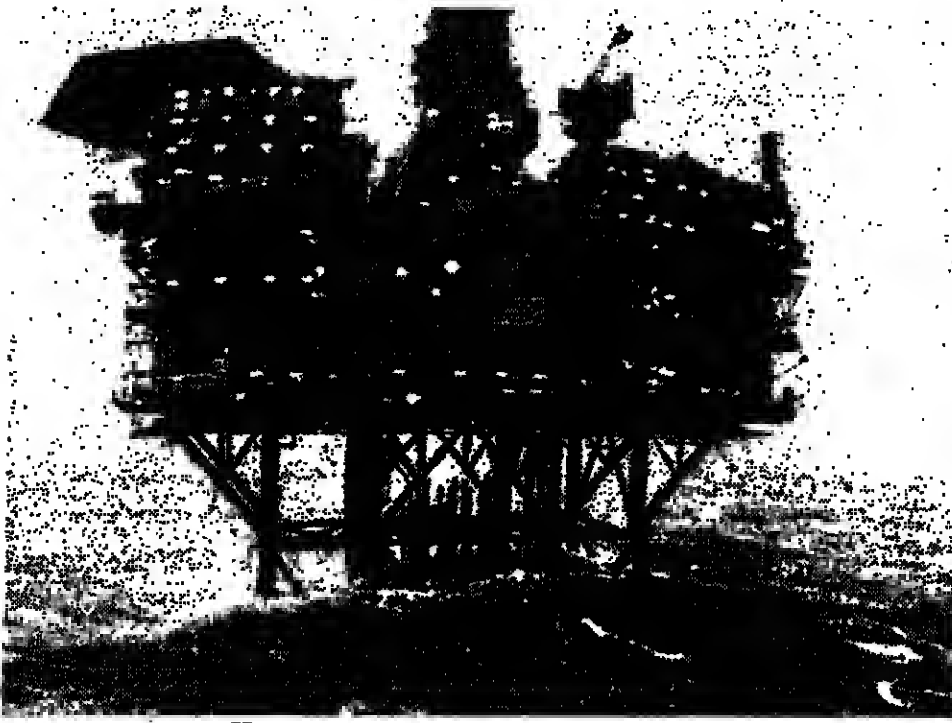
Surely a government with a mandate to protect Americans' health cannot ignore the compelling evidence that cigarette smoking contributes to severe lung and heart disease. But to eliminate government assistance to farmers who grow tobacco would hurt the Bobby and Lois Stephenson economically without necessarily improving anyone's health.

Ferrel Guillory is chief editorial writer of The News and Observer of Raleigh.



# SCOTLAND

A SPECIAL REPORT



The North West Hutton production platform, which began production on April 8.



## Constitutional Issues Of Last Decade Remain Despite Tory Victory

By James Naughtie

LONDON — Scotland's political map after the general election of June 9 might seem to the outsider a model of calm and continuity. Margaret Thatcher's whirlwind victory might seem to have caused little change in its contours. Yet, underneath there are signs that it is all as volatile as ever. The lurking constitutional questions that have dominated the scene for a decade are still there, waiting for their moment.

After the general election most of the parties were able to claim success, all but the Scottish Nationalists, who fared miserably, holding grimly on to their two seats but performing badly in all but a handful of the 70 others. That was a relief to the others, but it has not prevented some anxious post-mortems.

Labor and the Conservatives held their ground, but no more. The Tories could claim — and they did so, loudly — that their tally of 21 (the same as at the 1979 election) reflected solid wins in three of the new seats carved out by the Boundary Commission in the redistribution of parliamentary boundaries last year, but their performances showed little of the strength they might have expected to pick up from the rush of Mrs. Thatcher's handwagon south of the border.

Labor looked around its traditional territory in the Strathclyde region, covering the heart of industrial Scotland, and reassured themselves that all was well. Their grip on the nation, hardly unbroken for half a century, was holding. But outside, even in seats that they held, their vote showed an alarming tendency to slip away to the Liberal-Social Democratic Party alliance.

It was the alliance that took most comfort from the results — eight seats only, but, nevertheless, a strengthening of the hold on the Liberal patches in the north and the borders and some advances in other parts, including Edinburgh and Aberdeen, which puts them in a potentially strong position next time around.

But there was no breakthrough, no disruption of the pattern that has dominated Scotland's politics since the inter-war years. Where, then, is the instability, the volatility?

Anyone who doubts the capacity of Scotland for capricious political changes of mood needs to look back no more than five years, to the heady days when the House of Commons approved the Scotland Act, establishing an elected assembly in Edinburgh with legislative powers. Its opponents had built into that act a referendum, and in the ensuing campaign the instinctive conservatism of Scots seemed to overtake their earlier enthusiasm for devolution and to stop short of producing the necessary vote of 40 percent of the total electorate (though there was a narrow majority among those voting in favor of the assembly).

That vote was the trigger that brought down the government of James Callaghan, paving the way for Mrs. Thatcher's first election victory. It marked the end of about five years of devolution fever north of the border, which had at times reached previously unimaginable heights of bravado: It was not uncommon at Edinburgh parties in the mid-1970s to hear talk of the coming deluge of embassy life to the city after independence was achieved, devolution being the preliminary step.

All that now seems an age away. Mrs. Thatcher is an old-fashioned unionist, firmly opposed to any tinkering with the mechanics of the United Kingdom, and she will not give way. Such is her dominance in the House of Commons — with an overall majority of 143 — that no effective parliamentary pressure can be exerted on the constitutional question. And — for the devolutionists — there is something worse to consider. Though Labor and the alliance appealed to the electorate in the election campaign with promises of strong devolution (including an assembly much stronger than its ill-fated 1979 progenitor), this time,

with economic and tax-raising powers, the issue often seemed an irrelevance in the campaign. On the doorstep, devolution scarcely mattered.

The story of the anti-Conservative forces in Scotland over the last four or five years (accounting for more than 71 percent of those who voted on June 9) has been of their failure to link the issue of devolution to their arguments with Mrs. Thatcher over the economy. Labor, though committed irrevocably to a strong assembly, have often seemed to be arguing two separate cases: one for a radically different central economy strategy directed from Whitehall; the other (or an assembly with economic powers). Even in their heartland they have failed to make the link seem sensible to enough voters. The emotional push for devolution has subsided.

So, the Conservatives might say, all is well, the union is strong. To take that view is to ignore the potentially devastating force of national consciousness that permeates every political party in Scotland, even the Tories themselves. That sense of nationalism, even when squeezed uncomfortably in the fiercely independent newspapers and broadcasting outlets in Scotland, the separate education system, the distinct legal system, the separate established church and consciousness of an individual — and fairly disastrous — historical tradition all combine to shape the Scot's political outlook.

It cannot be understood without reference to the tangled business of patriotism — often degenerating into empty chauvinism — fired by traditional anti-English sentiments. It is a formidable political power when it can be harnessed.

That it has not been, in the recent years of industrial decline and painful readjustment from the smokesack industries to the growing high-technology sector, is a measure, first, of the failure of the Labor Party to wage a sufficiently effective campaign and, second, of Mrs. Thatcher's success in putting a psychological grip on the nation. Convincing them, it can be argued, that "resolution" (as demonstrated in the Falklands war and the fight against inflation) is, in the short term, more important than results.

Even with record levels of unemployment — higher than would have been considered tolerable only five years ago — the anti-Thatcher coalition has failed to materialize. Does it need a firebrand orator, of the like not seen in Scotland since the days of "Red Clyde-side," to put it all together? Will a breaking point come unexpectedly during Mrs. Thatcher's second term? No-one in Scotland can answer these questions as yet.

Some Labor Members of Parliament are talking of a dedicated campaign of disruption in the Commons to publicize the case for an assembly and, as some of them argue, their "mandate" in Scotland to pursue Labor policies. But as a likely route to quick devolution it seems doomed to failure. Similarly, the SNP is now a near-irrelevance supplanted by the alliance as the most credible "third force" in Scotland.

So, from Downing Street, the landscape seems quite placid. But in the early 1970s, Edward Heath might have thought the same thing. Within three years a tiny group of nationalists had exerted enough pressure, on a wave of popular emotion, to force a Labor government to deliver a devolution bill through gritted teeth. The passions that led to that movement are still there, though they are searching for a new political voice.

It would be wise for Mrs. Thatcher to ponder this, as some of her Scottish colleagues do regularly. Although it may look as though the Scottish issue has gone away, the lesson of history for any British government is that it will never disappear completely. When the next upsurge comes, as it certainly will, a prudent government will have its response ready. It is far from Mrs. Thatcher's mind at the moment but, like such issues as changes in the House of Lords, it could yet bring on another constitutional nightmare. Each time it comes around it gets more exciting.

## Turnaround for North Sea Oil Industry

By Dick Murch

ABERDEEN — After 18 months of lean business, a turnaround appears to be within sight, if not yet within the grasp of Britain's North Sea offshore oil industry, according to Hamish Gray, energy minister in the last Thatcher government.

Mr. Gray, who was defeated in the recent elections, based his outlook on what the major oil companies are telling him in light of the March budget, which contained substantial beneficial changes for North Sea development. Mr. Gray — along with many others — had become convinced that a too-severe tax system was threatening to drive the companies away from the North Sea. He lobbied vigorously on their behalf.

"To an industry long accustomed to frequent changes in tax laws — some of which had brought projects on the continental shelf to a halt — the budget proposals came as a pleasant surprise. It included tax relief worth £1.5 billion in 1983-84. For future fields, other than those in the southern gas basin, a significantly lower tax will apply. The petroleum revenue tax allowance will be doubled and royalties will be abolished. The advance petroleum revenue tax will be phased out by 1986. In the future, immediate petroleum revenue tax relief for any field will be available for exploration and appraisal costs, which should boost drilling activity."

Most of the budget measures affecting the oil industry were rushed through before Parliament was dissolved for the

June 9 elections. The main loss was the royalty bill, a vital contribution to encouraging new field developments. It is assumed that it will be reintroduced in the new parliament, however.

Mr. Gray described industry's response to these measures as "extremely heartening." He said he had received a "flood of appreciative letters."

In recent weeks, Mr. Gray has been predicting that 17 applications will be submitted in the next two years seeking permission to go ahead with new offshore development projects.

Certainly the mood of the industry has changed. The Shell/Esso partnership and British Petroleum are talking positively of developing fields that did not have commercial prospects under the previous fiscal setup. Shell/Esso, for example, is planning investment of about £800 million annually.

Although others are more cautious in their reaction — pointing to the influence of oil prices and the cost of new technology — the budget proposals have been generally welcomed.

They have come too late, however, to avoid yet another cyclical slump in the industry's activity. According to some sources, it is too late to prevent the U.K.'s oil production — currently running at more than 2.2 million barrels per day — from peaking around 1986.

Drilling activity from mobile rigs has been at near-record levels. The 111 exploration and appraisal wells drilled in 1982 were only five short of the 1975 record. With the bud-

get proposals in mind, Mr. Gray is predicting another record this year. The growing surplus of rigs around the world and the drop in day charter rates will encourage activity as, eventually, will the U.K.'s Eighth Round of licensing completed in May. The government has allocated another 70 blocks for exploration.

About 33 rigs are currently drilling in U.K. waters, and a sustained high level of activity is particularly important to Scottish ports such as Aberdeen and Peterhead from where most of the units are serviced.

It is development activity and the subsequent production phase that are the cornerstones of Scotland's offshore-related industry, however. The current problems are indicated by the fact that more than two years elapsed between the government's approval of the Hutton Field development and, in late 1982, of the £1.2-billion North Alwyn and the £1-billion Clyde projects.

Only just now are North Alwyn operators, Total Oil Marine, about to place the order for the first of two steel platforms; Britoil will not order the Clyde jacket until early next year.

The absence of major orders has hit Scotland's fabrication yards. Hunterston went on care-and-maintenance late last year and the Nigg yard of Highlands Fabricators issued 90-day layoff notices this month covering 750 of the 2,600 workers. By late 1983 or early 1984, the four yards currently active — Nigg, Kishorn, Ardersier and Methil — will be

(Continued on Following Page)

## High-Technology Sector Is Expanding Rapidly

By Frank Frazier

EDINBURGH — High technology is reshaping the Scottish economy.

Employment in electronics, estimated at around 40,000 people, already exceeds jobs in more traditional activities such as shipbuilding and mining. With the added benefit of 60,000 to 70,000 spinoff jobs from the North Sea oil development of the 1970s, Scotland is well placed to enjoy continuing prosperity from involvement in the "sunrise" industries.

In fact, the electronics business has been generating jobs in Scotland for longer than even most Scots realize. The foundations of the present industry go back to the postwar expansion, when central Scotland was chosen as a location for the manufacture of electromechanical business machines by a group of leading U.S. companies including IBM, Bur-

roughs, Honeywell and NCR. Specialist manufacturers in the defense electronics field had already established operations in Scotland.

These developments put Scotland in a strong position to take advantage of the microchip revolution of the 1960s and 1970s. The U.S. business machine manufacturers moved more fully into production of electronics, while Scotland's proven reputation as a manufacturing center helped to attract other U.S. and Japanese companies involved in related fields. There are now more than 200 first- and second-generation electronics companies in Scotland; expansion programs have resulted in investment totaling £500 million during the last five years.

Companies of British origin provide about 55 percent of existing jobs in electronics, while U.S. enterprises provide 40 percent. The remaining employment has been generated by European and Japanese investment.

In recent months the Scottish Development Agency, the government organization responsible for encouraging new enterprise, has been increasingly turning its attention to the scope for expansion based on indigenous companies set up to compete in specialized sectors of the market. Some 26 new starts of this type have been recorded during the last five years. Although total employment in those enterprises currently provides just 200 to 300 jobs, the growth of specialist manufacturers with a high research and development content is regarded as vital to ensuring that Scotland remains at the forefront of progress towards third-, fourth- and fifth-generation electronics.

This does not mean that there is any lack of growth potential among the well-established multinational groups that have provided the bulk of past job creation. IBM recently chose its Scottish plant as the European manufacturing cen-

(Continued on Following Page)

## Tourism: Tracing Family Roots Competes With Outdoor Sports, Urban Attractions

By Ruth Wishart

GLASGOW — Dr. Samuel Johnson, a man noted for his large literary reputation and small amount of fact, suggested that the most glorious sight to a Scotsman was the high road into England.

Perhaps the good doctor, who made a celebrated tour of the Highlands and islands, was suffering from a surfeit of porridge at the time. Or perhaps he had been hampered in the 18th century by the lack of a Scottish tourist board — known colloquially as "the Spornan Office" — which has persuaded hoteliers over the years that guests are to be entertained and not merely tolerated.

Last year, 1.1 million tourists came to Scotland, half of them from North America, the rest mainly from Europe, Australia and New Zealand.

Many of the "old commonwealth" visitors come "home" to trace their roots, a task that has been made simpler this year by the addition of a roots bureau in Glasgow's Stirling Library.

The bureau — and a wide range of other events in the west of Scotland — is part of a Pride of the Clyde package put together in 1983 to persuade tourists with Scottish connections to come back to Glasgow.

That Victorian city, once the second city of the British Empire and often regarded as the ugly sister by comparison with glamorous Georgian Edinburgh, has made a huge effort to persuade visitors that it has many attractions of its own.

It does, in fact, have more parkland than any city in Europe and is the home of Scottish ballet and Scottish opera. A first-class art gallery there will be complemented from October by the opening of the Burrell Collection, a bequest to the city of a glittering array of artistic treasures. But, perhaps, the major reason for stopping in Glasgow, which is after all principally an industrial center, is that it is a useful springboard for many rural delights.

It is a mere half hour from the famed Loch Lomond and the Trossachs, the area most visitors want to home in on though arguably many of the other west coast lochs are equally scenic and much less crowded. An attractive compromise, seeing Loch Lomond but missing out on the ferocious lochside traffic is to view it from the decks of a pleasant steamer that runs from Balloch at the head of the loch every day except for Mondays.

Edinburgh is 43 minutes by the fast Blue electric train from Glasgow but a lifetime apart in attitudes. Where Glasgow is gassy, Edinburgh likes to be thought of as refined. This may explain why many of its residents scurry back to the suburbs when the international festival is on

from mid-August to mid-September. If Edinburgh is on your itinerary, this is the time to see it — not just because its musical, artistic and dramatic offerings have now become a major event in the global cultural calendar but because for those three weeks it becomes the unstuffy fulfilled cosmopolitan capital it should always be.

Edinburgh's architecture really is quite stunning for the first-time visitor not least because all the back-street highways and byways throw up just as impeccably preserved terraces as the more celebrated avenues off Princes Street.

Separate from the festival — but taking place simultaneously — is the military tattoo that is staged twice nightly on the castle esplanade with the forbidding backdrop of the floodlit castle and Princes Street gardens below. For those in search of more ethnic events, the calendar is crowded with highland games that take place throughout the summer from June through September.

Because of its royal connections, the Braemar gathering (September 3 this year) has become the most famous but perhaps not the most fun. It usually can count on a full turnout of the British royalty who spend the summer in their Highland home at Balmoral. For this reason the grounds of the latter are closed to the public in August, but in other months you can view those and one of the main public rooms. The Queen Mother's castle at Glamis is also on view to the public when her majesty is not in residence.

Of the other Highland games the Cowal variety held in Dumoon on the Clyde Coast on August 27 gives a true flavor of these kind of gatherings while giving the opportunity to explore some of the more attractive Clyde coast resorts.

Further north lie the many islands off the west coast, each with its own character and different attractions. Mull, Islay and Skye are arguably the most popular, and tiny Barra, which was surprised to find itself listed by one British travel authority in New York as being "uninhabited," assuredly is not.

It is in the pubs and hotels of the islands that you are most likely to be introduced to the delights of the Ceilidh, a mixture of Scottish song and music indulged in by anyone with a notion to perform. There is usually a generous infusion of whisky into the proceedings as well. That liquid may not be — as its Gaelic name claims — the water of life but it certainly does wonders for the tonsils.

Back on the mainland the highlands await, some of the wildest, least inhabited and most rugged of Scotland's tourist attractions. Set in the



Sparse landscape: A road in the Highlands.

midst of them is Inverness, an excellent base for northern touring. From there one can visit the pleasures of Wester Ross from the popular fishing village of Ullapool to the wildlife delights of the remote summer isles.

Inverness is also a useful town from which to hire sailing craft to explore Loch Ness. A number of firms handle all manner of craft, including the kind of luxurious cruiser on which one might well be tempted to spend a few nights.

As to Nessie, the intrepid monster, it may be of no real coincidence that she tends to make most of her appearances to coincide with the start of the tourist season. It is exactly 50 years this year since the first picture was taken of her, and for a prehistoric loch dweller she seems to be wearing well.

Other major Highland attractions include the Aviemore Center, which was built primarily for skiers but is also adapted to summer sports, and the delightful theater in Pitlochry by the Tunnel river in Perthshire. A worthwhile option for taking in any of these venues is a travel pass that gives unlimited access to nearly all road rail and ferry transport services from March to October.

Another useful tool is the book-a-bed-ahead service that allows one, for a small charge, to make a firm booking anywhere in Scotland for that

night. Incidentally, while Scotland may not be the leading attraction for world-weary gastronomes, there are some local delights worth trying. Fresh salmon, trout, venison, fruits and seafood, as well as all manner of game and some fine home baking. Two hundred hotels have joined in a Taste of Scotland project to provide the opportunity to sample as many genuinely local recipes as possible. A booklet of the same name gives full information on the dishes and the locations.

Other publications cover the 300 museums and art galleries, some of the more attractive walking tours and the newly opened fishing heritage trails stretching all the way up the east coast. Like the grand tour of Scotland's most famous castles, many of these venues come in special holiday packages.

If you want to take one of those, or need help in putting together your own tour you should contact the Scottish tourist board directly in their London or Edinburgh office. The addresses are Scottish Tourist Board, 17-19 Cockspur Street, London (Tel. 01-520-8661/14/16) and 23 Ravelston Terrace, Edinburgh EH4 3EU (Tel. 031-332-2433).

Scotland is a country the magnificence of whose scenery is matched only by the unpredictability of its climate. For that reason — as much as any other — it has learned to give value for its tourist dollar.



## SCOTLAND

## Whisky Industry: A Season of Cutbacks

By James Hunter

ABERDEEN — Once there were 200 stills in Glenlivet, a long wide valley on the northeastern flanks of the Cairngorm mountains. But that was when making whisky was a buccannery business, requiring only rudimentary equipment and the skill and cunning needed to dodge the troops and customs officers lurking between the hardy Highland entrepreneur and his thirsty customers in the south.

The early 19th century legalization of distilling led inexorably to its concentration. Now that the whisky industry is controlled by a handful of mammoth corporations, Glenlivet is a place where people are few and economic prospects far from good. "Everyone is very pessimistic," said a local minister, the Rev. Donald MacLeod. "You feel the glen is dying all around you."

Glenlivet, its very name synonymous with whisky, has fallen victim to its dependence on an industry that long seemed set to expand indefinitely but that has now been shown to be as vulnerable as any other to depression and the vagaries of the market.

"Back in the 1970s, we planned production on the basis that consumption would go on rising at about 10 percent a year," said Andrew Shand, production manager at The Glenlivet, one of nine distilleries owned by Chivas Brothers in Moray and Speyside, the whisky industry's heartland.

That assumption, it is admitted widely in a much chas-

tened industry, was so optimistic as to verge on the foolhardy. "We thought the world owed it to us to drink more Scotch whisky," a distillery manager said. "We did not do enough to ensure that the world obliged."

Changing tastes — and, so it is alleged in some quarters, a failure to market whisky in as imaginative and effective a way as that adopted by the makers of rival spirits like gin and vodka — have combined with international recession to send sales graphs sharply downward.

And because whisky has to be matured for between five and 12 years before it is sold, the end of the boom has left the industry with a large, and very costly, surplus. In distilling centers throughout the Highlands there is a "whisky loch" large enough to rival the EC's much publicized "wine lake." To facilitate its disposal, production has had to be cut drastically.

Managers like Mr. Shand, who run plants where staffs are small and trusted, have had to call in men they have known all their lives and tell them their employers no longer need their services. "It is not easy to find a nice way of putting it," Mr. Shand said.

About 70 jobs have been lost in these nine Chivas Brothers distilleries — not a lot when set against the massive layoffs that have affected Britain's cities but a potentially devastating blow to rural communities already perilously short of the employment opportunities needed to forestall complete collapse.

Chivas Brothers' distilleries are still open — "ticking

over," as Mr. Shand put it, at as little as a quarter of capacity. Things are not so favorable at the Distillers Company. Last month, several of their malt distilleries were closed.

One of the casualties was Knockdhu Distillery, in rural Banffshire about 50 miles north of Aberdeen. George Webster worked there for 27 years. "You knew everything about every man there and they knew everything about you," he said. "It wasn't just a job like working in a factory."

Knockdhu Distillery was in operation for nearly a century. The village of Knock exists because of it. Today, three members of one of the village's families are unemployed, and they and their neighbors have little incentive to remain in the community.

Industry spokesmen are confident that the whisky business will recover. "But Knockdhu will never reopen," Mr. Webster said. "Any demand for increased production will be met by more modern distilleries."

And increased output, according to Mr. Shand, will not provide significantly more jobs even in those distilleries that survive the current crisis. The Glenlivet, his own distillery, is a sprawling complex of buildings dominating the open countryside all around. Its capacity is nearly twice the Scottish average. But because of mechanization and computerization, The Glenlivet has a staff of only 20. At night the plant can be kept in full production by three men.

"We might hire one or two more if we return to full capacity," Mr. Shand said. "But we will never again employ as many people as before."

## Optimism Reigns Among Fishermen, Foresters

ABERDEEN — Scotland's fishermen and foresters are in an optimistic mood. Boatyards, among the casualties of the recent recession in fishing, reported an upsurge of orders for new craft and there is widespread talk of the growing likelihood of major investment in the forest-products industry.

That is good news for Scotland's smaller communities. Neither fishing nor forestry is of vital significance in national terms. Fishing, fish-processing and ancillary enterprises employ about 20,000 people. The forest and forest-products industries account for fewer than 9,000 jobs. But forestry and fishing are concentrated in country districts and coastal settlements where alternative employment is extremely limited.

Scotland's fishermen take two-thirds of the total U.K. catch. And with Scottish landings of 504,000 metric tons sold for a record £150 billion million, 1982 saw a marked improvement in both performance and returns.

Reinvestment of the resulting profits is one element in the current interest in the purchase of new boats. More significant was the emergence in January, after protracted international argument, of an EC Common Fisheries Policy. Scotland, with an exclusive 12-mile limit around most of its coast,



Loading fallen timber in a Scotland forest.

fared better than England, where Dutch, West German, French and Belgian fishermen were given greater access to inshore waters.

Its detailed implementation is still causing disagreement. But the European Community policy, by laying down national catching quotas, has provided the industry with a badly needed basis for long-term planning. Necessary fleet restructuring will be aided by EC cash, and the Department of Agriculture and Fisheries for Scotland, the Edinburgh-based agency in charge of fisheries matters, is already asking

fishermen's organizations for their views on how EC finance should be deployed.

A pressing problem is the future of the so-called pelagic fleet, designed to specialize in herring fishing and dominated by large purse seine boats, each of them costing between £1 million and £2 million. Overfishing and the consequent limitation of herring and mackerel catches have resulted in these boats lying idle for several months a year and, although the pelagic sector accounts for only a small proportion of the Scottish fleet, its troubles

have had a serious effect on northeast ports traditionally geared to herring.

EC restructuring funds may ease these difficulties by subsidizing the scrapping of outmoded vessels and assisting in the early retirement of older skippers. But fishery department officials and fishermen's representatives stressed that no overall change is envisaged in the overall size of the Scottish fleet.

"We need to improve our marketing and it may be necessary to set a limit to total catching cap-

ty," a spokesman for the Department of Fisheries said.

"But the industry as a whole is doing well and is more confident than at any time in the last decade."

Scotland's forestry industry, too, is recovering from the serious blow it suffered in 1980 when the Wiggins Teape pulp mill at Fort William in the West Highlands closed, leaving 400 workers jobless and depriving foresters of a major market for the steadily increasing volume of timber being produced from the woodlands planted in the 25 years following World War II.

Scotland has 800,000 hectares (1,976 million acres) of productive softwood forest, nearly 30 percent more than England and Wales together. Over the next 15 years, Scottish production of logs for sawmilling will increase by 80 percent to about 1.5 million cubic meters a year. Production of small roundwood, the forest thinnings used in the pulp and board industries, will also reach 1.5 million cubic meters in the same period, an increase of 130 percent.

The desperate search for markets in the aftermath of the Fort William closure has resulted in small roundwood being shipped to Scandinavian pulp mills. This, it is admitted freely in forestry circles, makes little economic sense in a country that imports more than 90 percent of its timber and wood product requirements. But both the state-controlled Forestry Commission and the increasingly influential private sector, the beneficiary of the new Conservative government's determination to diminish state dominance of forestry, have been forced into the low-profit export business to keep their work forces intact and their plantations in good order.

But its imminent boom in timber output provides Scotland with an unrivaled asset. Future timber production in much of North America and Scandinavia is already allocated to existing industries. The Scottish timber resource, as emphasized in a recent report by Arthur D. Little Ltd., consultants, is uncommitted in that sense.

The Little report to the Scottish Office and the Scottish Development Agency anticipated a total investment of £300 million over 15 years in pulp, sawmilling and panel and board products. In March of this year United Paper, a major Finnish forest industry corporation, decided to build an integrated newsprint and pulp mill at Shotton, in north Wales. The United paper plant will cost £135 million and will account for most small roundwood production in England and Wales for the rest of the century. Scotland's much larger output could supply more than one such user.

A proposal to establish a £10-million board manufacturing plant at Inverness, announced last month, is a move in the right direction. But forest industry sources are confident that more substantial investment will soon be forthcoming.

— JAMES HUNTER

DEVELOPMENT  
ON THE U.K. CONTINENTAL SHELF  
Orders Placed For Goods And Services In 1982

Value of orders placed\* (in million of pounds)

Sector	Total	U.K. Share	1982	1981
Exploration				
Surveying	45	33	73	47
Exploration & Appraisal Drilling	203	59	29	31
Subtotal	248	92	37	32
Development				
Production Platforms	399	350	88	77
Installation Operations	208	135	65	66
Plant & Equipment	226	194	86	78
Submarine Pipelines	103	63	61	56
Development Drilling	57	43	75	71
Terminals	94	90	96	98
Subtotal	1,087	875	80	75
Production				
Maintenance	59	52	88	88
General Services				
Transport	282	210	74	73
Diving & Underwater Services	72	54	75	81
Drilling Tools & Equipment	293	200	68	69
Support of Personnel	118	59	50	51
Offshore Miscellaneous	105	101	96	92
Subtotal	870	624	72	72
Grand Total	2,264	1,643	73	67

\*The figures represent orders over £100,000 million for all sectors except Maintenance where they represent orders over £50,000 in value.  
Source: Department of Energy "Brown Book" published in April, 1983.

## Turnaround for North Sea Oil

(Continued From Preceding Page)

running out of work. It is vital that they and not foreign yards win the North Alwyn and Clyde orders, but even so there will not be enough to go around.

The hiatus in new projects has been felt throughout the industry from designers and project managers to module builders, equipment manufacturers and hook-up contractors. It has also limited the growth of the market for companies supplying, servicing and maintaining new platforms. Oil majors have cut back on recruitment; some have sent personnel, particularly those involved in the development phase, to more attractive areas overseas. The support industry have been cutting their bids to rock-bottom levels to win work against intense competition; some would say they have been "buying" work to stay in business. A number of companies, however, have already failed; for many others, it is now a question of holding on for the upturn in the mid-80s.

Hopes for the upturn have been underlined by the agreement reached by Marathon Oil and its partners for a second platform on the Brae field. They have yet to seek government approval to develop what is known as North Brae, which is expected to be the first North Sea gas condensate project.

At peak production, development will employ between 5,000 and 6,000. More than 70 percent by value of subcontracts will be awarded to U.K. industries, according to Marathon, which is planning to bring the field into production in 1988. Capital cost, including contingency, is put at almost £1 billion, plus £500 million for inflation and another £200 million in 1995 for gas-sweetening facilities.

The level of investment activity is indicated by the Department of Energy's "Brown Book" annual report for 1982, published in April. It showed that orders placed during that year for the U.K. continental shelf totaled £2,264 billion, against £2,911 billion in 1981. But at least U.K. companies — there is no separate breakdown for Scottish firms — had pushed their share up from 67 percent to 73 percent of the market in 1982. Over the last four years, the companies have averaged a creditable 72 percent.

Hopes are now pinned on the development of further fields to expand the market. Not everyone would agree with the energy minister that the budget proposals will have an immediate effect on order books or that there will be 17 new projects in two years.

Edinburgh stockbrokers, Wood, Mackenzie said

earlier this month that, while the budget tax concessions for new fields should have a positive impact on development — with a number of companies already making encouraging noises — one should bear in mind that a considerable lead time was required before any new projects could be brought to fruition.

Even in cases where the economics may have changed radically, it may be unreasonable to expect immediate results," the brokers said. "Thus, much of the development activity likely to be seen over the next two or three years will almost certainly have resulted from factors other than the latest tax changes."

Wood, Mackenzie acknowledge, however, that the outlook for the platform yards — a barometer of industry activity — has "indeed taken a turn for the better." But this was largely independent of the budget. They calculate that less than a third of the new projects in the next few years will benefit from the budget. Many of the projects will be in the Southern gas fields — and they will not require the giant platforms associated with the oil fields. Nevertheless, the mid-1980s promise to bring a vital upturn in orders, which will help protect the 100,000 or more jobs in the industry.

The challenges — technological and financial — will be considerable when it comes to developing the small, marginal fields that will dominate future operations.

The current state of the international industry is having various impacts on Scotland. The downturn in activity in the United States means support and service companies there are showing great interest in expanding operations already established there. The slump in North Sea development has, however, added a further incentive for U.K. companies to spread their operations internationally.

Worldwide involvement — with Aberdeen companies to the fore — is one of the keys to the future health of the U.K. industry, expanding on the foundation of skills and experience gained in the North Sea. There have been many successes to date abroad, but there is also a belief that U.K. companies are not yet making the most of overseas opportunities.

Efforts continue, however. More than 160 U.K. companies, many of them from Scotland, exhibited at the recent Offshore Technology Conference in Houston. The general opinion among these exhibitors and the several hundred other U.K. delegates was that the 15th annual OTC was the best one yet for them.

## High-Technology Sector Is Expanding

(Continued From Preceding Page)

ter for its highly successful personal computer. In addition, some £130 million have been put into expansion in semiconductor manufacture in Scotland during the last two years to develop output that accounts for more than half the U.K. total.

But Scotland also has considerable investment in native electronic brainpower as a result of the emphasis that has been put on the subject in universities and colleges. The output of graduates has risen by 27 percent during the last four years and is expected to rise by another 36 percent by 1985. The eight universities are also making a major contribution in research work that could help to shape the future pattern of electronic expansion in Scotland.

This was an important selling point identified by consultants who recently advised the SDA on a strategy for making the most of the country's 30 years of experience in the business. They pointed in particular to three critical technologies in which Scotland had a strong lead — very large scale integration that enables more complex circuits to be etched on a single silicon chip, artificial intelligence needed

to design machines that think for themselves, and opto-electronics that are at the heart of the fast-growing use of fiber optics in communications.

Science parks are being developed at several of the Scottish universities to enable commercial companies to forge closer links with academic staff engaged in research projects. By the end of this year the Massachusetts-based Wang Laboratories will have established the first phase of a manufacturing plant producing its range of computer equipment for the U.K. and European markets at the campus of Stirling University. Eventually the factory is expected to employ more than 700 people.

Universities are also setting up their own companies to market the fruits of research programs. M & D Technology, which manufactures a revolutionary form of medical body scanner, are a prime example of the types of venture that are emerging. The company was established last year with £1.4 million funding from the SDA, after nine years of work in Aberdeen University's bio-medical physics and biomedical engineering departments to investigate the practical application of nuclear magnetic resonance, a technique that enables images of internal parts of the body to be instantly displayed on a video screen in sufficient detail for doctors to detect diseased tissue. Because the system is based on the response of body cells to radio signals in a magnetic field, the equipment avoids the risk of subjecting patients to large doses of x-ray radiation as well as producing more revealing images.

Clinical trials of the first commercial version of the equipment will begin soon at Edinburgh Royal Infirmary, where medical staff will evaluate the technique in a wide-range of diagnostic uses, including the detection of cancer, heart disease and brain damage.

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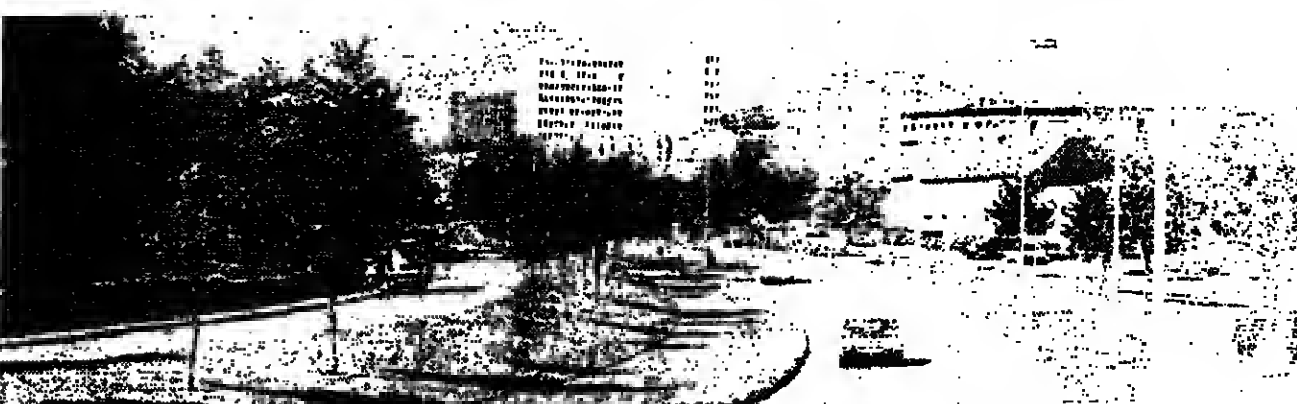
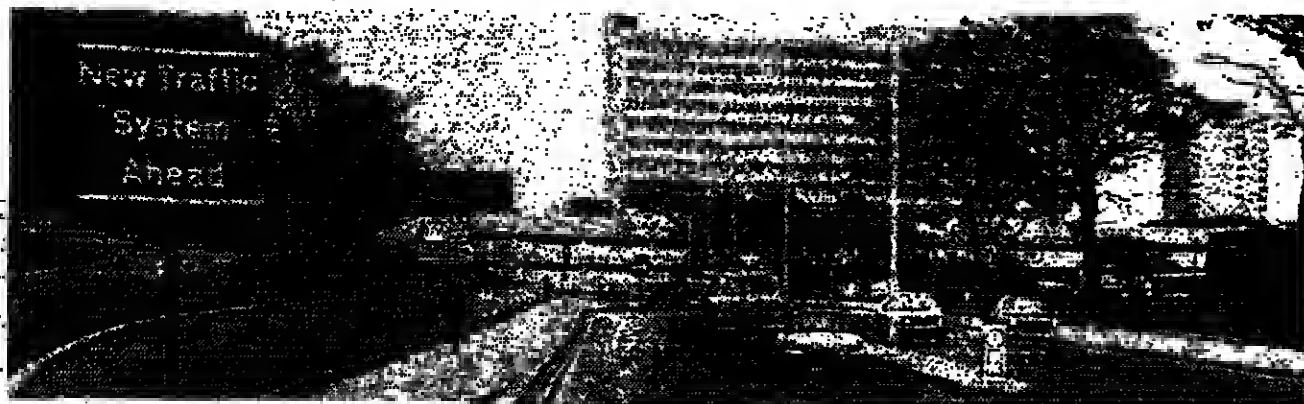
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## SCOTLAND



The beginning of a new traffic system in East Kilbride, left; the commercial skyline at Glenrothes, right.

# 5 New Towns Represent the Changed Face of Scottish Industry

By Jack Webster

GLASGOW — They sprang from the notion of an overspill population and have grown to be the symbol of all that is hopeful for the future of Scotland. The five new towns that blossomed in the aftermath of World War II have had to face a specific economic challenge.

Few could have envisaged that the role of these modern communities would become so swiftly significant, caused by the rapid decline of the traditional industries such as shipbuilding and heavy engineering.

It is hardly surprising that the Scots will tell you with pride about East Kilbride, just a few miles south of Glasgow; Cumbernauld, 15 miles north of the city; Livingston, which lies 15 miles from Edinburgh; Glenrothes, the administrative headquarters of the Kingdom of Fife; or Irvine, a "new town" with the paradoxical boast that Robert Burns lived there 200 years ago.

Together, they represent the new face of Scot-

tish industry — that generation of electronics, light engineering and oil-related products that have not been hindered by the discovery of oil in the North Sea.

These towns represent a gateway to Europe for many overseas companies, among which are Rockwell, Motorola, Burroughs, Beckman Instruments and Nippon.

In 1947, East Kilbride, in the Lanarkshire countryside, was the choice for Scotland's first new town. The village of 2,400 has become a town of 72,000 and may rise to 86,000 by the end of the century. In common with other new towns, East Kilbride is also undertaking a study at the request of the Secretary of State for Scotland, George Younger, to gauge what has yet to be done and how long the development corporations need to exist before giving way to the regular pattern of local authority democracy.

While they survive over the next decade or more, no effort is being spared to give the towns

shape and prosperity. Recession has forced them to run faster to stand still. East Kilbride, for example, suffered from the closure of factories belonging to Better Sound Reproduction, with a loss of 2,500 jobs. On the other hand, Motorola has a £60-million expansion under way for its computer elements, raising its work force from 1,300 to 2,000 in the next two years.

In the eastern half of Scotland, in the Kingdom of Fife, the one-street village of Glenrothes, with 1,000 inhabitants, became the second new town. Today, it has a population of 38,000, but when it tops the 50,000 mark, as planned, it will outpace the towns of Kirkcaldy and Dunfermline to become the major conurbation of Fife.

Situated 30 miles from Edinburgh and 23 miles from Dundee, Glenrothes has attracted 23 companies in the electronics field and offers employment for 15,000. The most recent addition is Applied Computer Tech-

niques of Birmingham, which has made a £10 million start-up for personal computers.

Nearer Glasgow, Cumbernauld no longer regards the Glasgow overspill as a top priority, as it now surpasses the 50,000 population and concentrates on attracting the smaller companies, a direct result of the suffering it endured when Burroughs made a drastic cutback in the 1970s. The town is diversifying into everything, from J.L. Grove making work platforms for the oil industry to Bean Products Ltd., a Scottish enterprise making soy sauce as a result of research at Strathclyde University.

Cumbernauld is home of the Tryst Sports Center, with international facilities, and has a cultural life centered around the Cumbernauld Theater, which attracts some of the finest companies in the country.

In view of current government policy, which wants to replace corporation home-building with the private sector, Cumbernauld is already at the top of the list of new towns, with 37 percent of owner-occupied houses.

Livingston, fast taking shape as the largest town in the Lothian Region after Edinburgh, 15 miles away, was designated last year. It has attracted 170 new companies, largely in the electronics and health-care fields, and has recently lured NEC, the Japanese semiconductor manufacturer, which will provide jobs for 800 by 1985. Livingston also is to have the first Japanese video recorder factory in Scotland, providing 120 jobs, built by Mitsubishi Electric, later this year.

Burr-Brown from Arizona has just started to produce electronic hardware in Livingston, and the health authorities are building the largest hospital complex in Western Europe there.

As each new town seeks to lighten its distinctive features, Irvine can claim to be the only one by the sea, situated on the Ayrshire coast where the River Clyde meets the Atlantic.

It is also the only one to be built upon an existing town, an ancient burgh of 33,000 peo-

ple, which can count the foremost Scottish poet, Robert Burns, among its former citizens.

Ironically, in the current recession, Irvine stands among Scotland's worst centers of unemployment (more than 20 percent) but its leaders are quick to explain that it is caused by a decline in the traditional base of a town that was once the port of Glasgow.

Irvine's sights are on the industries of the future, and to that extent they have a good deal in prospect. Volvo, of Sweden, makes trucks and buses in Irvine, while Beechams has invested £50 million to produce pharmaceuticals. Workers at the Hyster forklift truck factory recently accepted a wage cut in return for which the company has said it will concentrate its European activity there, raising the payroll from 500 to 1,500. Prestwick Circuits and Prosper Engineering are other successes and British Telecom is recruiting for its International Directory Inquiry Service, which is to be based at two centers — London and Irvine.

## Banking: A Year of Recession Bites Into Profits of Financial Institutions

By James Dow

GLASGOW — It has been a tough year so far for Scotland's financial institutions. The recession has bitten into the profits of all three clearing banks.

Although the major life insurance offices in Edinburgh and Glasgow have continued to advance, the giant Perth-based General Accident, one of the world's largest general insurance companies, has hit a slump and does not expect improvement this year.

The investment-trust movement, based mainly in Edinburgh and accounting for more than £400 million of the £1 billion in assets managed by U.K. investment trusts, are coming together to defend themselves against what they believe are takeover threats from "English institutions."

The threats, however, are overstated. The investment trusts with good records and shares not standing at high discounts are safe enough. And, the interest being

shown by English institutions can be beneficial.

In the last year, the relatively limited overseas exposure of the Scottish banks has been viewed favorably, given the potentially high debts on the international scene. But this is a short-term benefit.

Further expansion appears limited unless there is a significant shift in the geographical spread of business. The three Scottish clearing banks — the Royal, Scotland's largest; the Bank of Scotland, in which Barclays Bank has a 35-percent stake; and the Clydesdale, wholly owned by the Midland Bank — rely heavily on business at home.

Many people still are without accounts, but the competition for their business is getting fierce.

The competition intensified on May 21, with the amalgamation of the four trustee savings banks in Scotland into TSB Scotland. Together they have one in four of Scotland's banking population.

They will be chipping away at the business done by the three clearing banks, with clearing status their ultimate object.

In April, in their annual figures, the Bank of Scotland reported a better year than expected. Pretax profits fell from £47.4 million to £46.4 million, but their increase in bad-debt charges, while large, did not match those suffered by the English clearing banks. The bank's joint general manager, John Wilson, said these results had been achieved after being through the deepest recession they had experienced since the 1930s.

The Royal Bank, left alone at the church at the beginning of last year when the Monopolies Commission vetoed their merger proposals with Standard Chartered and the takeover bid by the Hong Kong and Shanghai Bank, have undergone a major, top-level reshuffle and have a small and competent team looking at major strategy and acquisitions.

The changes were not in time to prevent a 28-percent fall in first-half profits, announced at the beginning of this month.

They were down from £43.1 million to £30.9 million. The group's chief executive said its bad debt provision — up from £14.2 million to £24.5 million — and the fall in the bank base rate were among the causes. He said the U.K. economy remained fragile and was dependent on a sustained upturn of the world economy, particularly in the United States.

The Clydesdale Bank, which does most of its business in the depressed west of Scotland, saw its profits in the last year go down from £23 million to £16.8 million.

Both the Royal and the Bank of Scotland are aware of the need for major acquisition overseas, with the United States their main target. The Royal, which has a branch in Hong Kong, announced the opening of one in Singapore later this year as part of its strategy to extend its influence in the Asian Pacific rim.

It has also bought the Swiss subsidiary of the First Seattle Bank, but regarding a U.S. purchase its chief executive, Sid Procter, said, "We are not rushing to buy an overseas bank just to show how virile we are."

The Bank of Scotland, meanwhile, is increasing the number of its branches in England and has become the first U.K. clearing house to compete actively in the fast-developing field of high-interest checking accounts by offering from their London branch money-

market rates of interest to individuals and professional firms.

Its merchant bank subsidiary, the British Linen, is taking a major stake in a new unit trust group being formed by two Edinburgh investment trusts in an attempt to increase its involvement in the funds management business.

The competition they face in the chase for new business is underlined by two other developments — the formation of a new company, Quayle Munro, with an former British Linen executive at the helm and merchant bank status in mind,

and the appearance this month of Adam & Company, which will provide merchant and retail banking services. Its chief executive is Ian Dalziel, who resigned after being an executive in Edinburgh for 10 years with Manufacturers Hanover Trust.

The Royal Bank has launched its own merchant bank subsidiary, and Noble Grossart, the Edinburgh merchant bank, has emphasized its ability to meet the competition with the announcement of their 14th straight increase in profits.

## Coal, Steel, Shipbuilding Sectors Face Continuing Output Decline

By Alf Young

GLASGOW — Scotland's coal, steel and shipbuilding industries, once the springboards of the industrial revolution, are in decline. The state-owned coal board is currently negotiating with the unions on the closure of yet another pit — the last in the Lanarkshire coalfield, employing 1,100 miners, and the sixth colliery closure in Scotland in less than three years.

The board has had a dramatic drop in orders from its dominant Scottish customer, the local power authority. A lack of orders also has prompted British Shipbuilders, another nationalized concern, to plan 9,000 layoffs at its remaining yards — with 4,000 jobs lost on Scotland's two main river arteries, the Clyde and the Forth.

A third state corporation, British Steel, under the inventive leadership of its outgoing chairman, 71-year-old Ian MacGregor, wants to hivel off Scotland's only integrated steel works at Ravenscraig near Glasgow. Mr. MacGregor's plan would put Ravenscraig into a £600-million joint venture with the Fairless Rolling Mills of United States Steel.

The Scots would produce 3.5 million metric tons of semi-finished steel slabs every year for their U.S. counterparts to process. Mr. MacGregor said it was Ravenscraig's only chance of survival, but the cost is another 5,000 lost jobs, 2,000 of them in Scotland.

Scotland's mines, shipyards and steelworks have, in the past, made fortunes for many of the country's industrial dynasties; they have also produced many of the most fiery union leaders. But despite their central role in the political and cultural folklore of Scotland, they are nowadays a less and less significant feature of the economic landscape of the place.

If the latest cutbacks and resulting job losses go through, more Scots — more than 40,000 of them — will be working in the burgeoning microelectronics industry, which has turned great tracts of central Scotland into "Silicon Glen," then remain in coal, steel and shipbuilding combined.

All three sectors have been hurt by the world recession. But there are other, more specific reasons for their decline.

The Scottish coalfield is geologically difficult and has lost money for years. The balance sheet is only made respectable by the healthy profits from open-

wants to lay off another 4,000, and some union leaders talk of the real figures being much higher.

The main cause is a dramatic order slump due in part to the depressed state of world shipping but also to the competitive pricing of Far East builders, in particular the South Koreans.

Twelve years ago when the workers on the upper Clyde occupied their yards for a work-in to save their jobs, they could at least point to full order books. This time they will be fighting with virtually nothing.

In the 1970s, British Steel shut down its outdated and inefficient open-hearth furnaces. Hundreds of millions of new investments left the corporation with five vast integrated steel works like Ravenscraig. It can produce 3 million tons of steel a year.

But world demand for steel was falling and local markets collapsing. The most serious blow for Ravenscraig was the closure in 1981 of Scotland's only car assembly plant at Linwood. The Craig, as the steelworks is known to its employees, was supplying Linwood with strip steel.

Ravenscraig now has to sell most of its output outside Scotland, putting it, according to the decision-makers in British Steel, at a crippling geographical disadvantage. The inadequacies of their past investment decisions have aggravated the problem. Ravenscraig is 40 miles from its modern iron ore terminal, 11 miles from its cold-fining mills. Every mile adds to unit costs.

When the market collapse reached new depths last autumn Mr. MacGregor picked Ravenscraig as the plant that had to close. Only a hastily convened Scottish lobby representing all shades of political opinion stopped him getting his way.

Now he wants to link Ravenscraig's future to Rolling Mills in Pennsylvania, supplying the Americans with the high-quality steel slabs Ravenscraig's modern blast plant can produce.

With Margaret Thatcher's election victory on June 9, there are indications that Mr. MacGregor may finally get his own way. If he does, the numbers working in the Scottish steel industry will fall below 10,000, against 26,000 nine years ago.

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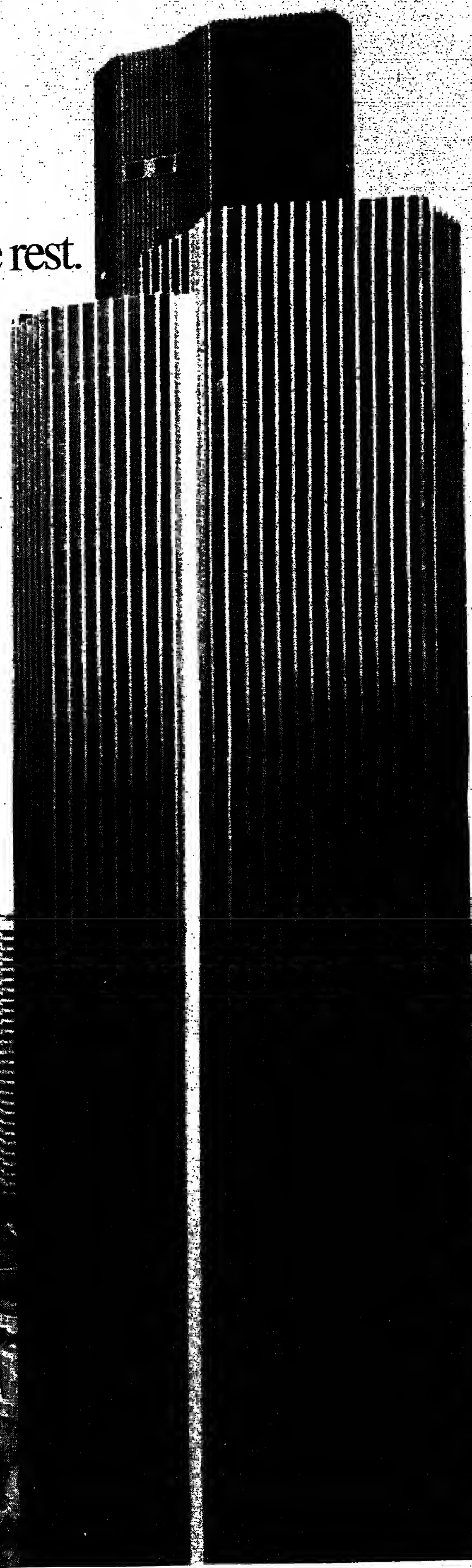
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## Market Summary, June 28

**NYSE Index**

### YSE Most Actives

NYSE Most Actives		
	Sales	Close
1,994,700	14	
1,164,700	62 1/2	
1,120,500	7 1/2	
983,740	8 1/2	
902,200	31 1/2	
865,300	11 1/2	
787,600	52 1/2	
140,400	29 1/2	
688,400	23 1/2	
624,400	54	
619,600	48 1/2	
598,000	53 1/2	
570,000	20 1/2	
236,300	19 1/2	

## Tuesday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

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Germany	D.M.	400	200	110
Great Britain	G.	75	37	20
Greece	E.	10,800	5,400	2,950
Ireland	Irl.	90	45	25
Italy	I.	195,000	97,500	53,000
Luxembourg	L.Pr.	6,700	3,350	1,815
Netherlands	N.K.	1,160	580	324
Norway	N.	1,000	500	250
Portugal	P.	10,000	5,000	2,750
Spain	S.	16,350	8,175	4,400
Sweden	S.K.	1,160	580	320
Switzerland	S.Pr.	1,350	675	350
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**Man Agrees to  
Take Stake in Son's**

**Judge Extends**

**Woman Forman to A**

**Howard to Buy**

**Norton Simon**

**Brent Says**  
**Wider**  
**Year**

**Sales at Charvet**



## BUSINESS BRIEFS

## Taubman Agrees to Purchase Knoll's Stake in Sotheby Group

LONDON (Reuters) — Sotheby Parke Bernet group said Tuesday that Alfred Taubman, an American businessman, has conditionally agreed to buy the 29.95-percent stake in the company held by Knoll International Holdings of 700 pence (\$10.80) a share.

Mr. Taubman's agreement is conditional on clearance from Britain's Monopolies Commission, which is already studying his plan to bid for Sotheby, the statement said. U.S. antitrust clearance is also needed.

The agreement would go through immediately if the conditions are met. Mr. Taubman will then be required to offer 700 pence a share for the balance, conditional on his receiving more than 50 percent of the stock.

## U.S. Judge Extends AT&amp;T Ruling

WASHINGTON (WP) — A federal judge has extended the scope of an antitrust decision that cost American Telephone and Telegraph \$276 million, ruling that many other parties injured by the illegal practices can seek damages.

Under the decision made Monday by U.S. District Judge Thomas P. Jackson, the ruling of the federal court in New York can be applied by all affected telephone users between 1970 and 1978, who now only have to prove to the court how much they were damaged. The extent of the potential liability facing AT&T was unclear, though some experts estimated it could run into the billions of dollars.

The decision stems from an antitrust suit by Litton Industries charging that AT&T forced it out of the telephone equipment business by requiring the use of special equipment to connect non-Bell switchboards to its system. The judge in that case ruled that the special equipment was not needed to protect AT&T's telephone network, as was claimed, but instead was used to maintain AT&T's monopoly.

## Brown-Forman to Acquire Lenox

LAWRENCEVILLE, New Jersey (UPI) — Lenox, Inc., the china and silverware maker, said Tuesday that it has agreed to be acquired by Brown-Forman Distillers Corp. after the company raised its offering price for Lenox common from \$43.50 to \$45 a share.

That price is based on purchases after the upcoming 2-for-1 split in the stock. Stock tendered before the split will be paid for at \$90 a share. Because of the increase in the price, the offer is being extended to July 14.

The chairman of Lenox, John S. Chamberlain, said his company agreed to drop its proposed preferred share dividend that was intended as a defensive move against the Brown-Forman takeover bid.

## Fort Howard to Buy Maryland Cup

GREEN BAY, Wisconsin (AP) — Fort Howard Paper Co., a leading maker of paper products, will acquire Maryland Cup Corp., a leading maker of plastic products for the food and beverage industry, the companies announced Tuesday.

The cash and stock transaction is valued at \$536.2 million, but could rise to \$661.1 million if all options associated with the definitive merger agreement are exercised.

## New Norton Simon Offer Made

NEW YORK (NYT) — The bidding for Norton Simon Inc. heated up Monday when Anderson, Clayton & Co., a Houston-based producer of foods, made an offer for the consumer products company.

The move followed an announcement by Norton Simon that Esmark Inc.'s bid last Friday was "not sufficiently attractive" to preclude Norton Simon from seeking alternatives.

Anderson offered to acquire up to 14 million common shares, or about 52 percent of Norton Simon's stock outstanding, at \$35 a share in cash, a total of \$490 million. The company said it reserved the right to increase the number of shares it was seeking to 18.5 million, or to buy all 27.4 million shares. However, Anderson said it wanted only Norton Simon's Hunt-Wesson and United Can businesses.

## Peugeot Says Zanusso May Be Forced To Seek Outside Help Last Year

PARIS — Peugeot, France's second largest automaker, announced on Tuesday that group net losses increased in 1982 to 2.15 billion francs (\$284 million).

Strikes and a government price freeze contributed to the poorer performance by Peugeot, which owns both the Citroën and Talbot automobile companies, a spokesman said. In 1981 the group posted a consolidated net loss of 1.99 billion francs.

News of the 1982 loss, which confirmed earlier company forecasts, followed an announcement last month by Renault, Peugeot's state-owned rival, of a virtual doubling of its 1982 consolidated loss to 1.28 billion francs.

The Peugeot spokesman said long strikes and a four-and-a-half-month price freeze imposed last year by the French government prevented the company from achieving the recovery it had hoped for at the beginning of 1982.

The strikes, at both the Citroën factory at Aubnay and the Talbot plant at Poissy, both in the Paris area, in May and June last year, cut group production by thousands of cars.

The freeze restricted Peugeot to an overall price increase of 4 percent last year. Social reforms by the Socialist administration, including the granting of a fifth week of paid vacation to workers and the cutting of the workweek to 39 hours, also hurt results, the spokesman said.

"In a letter to stockholders in April, Peugeot said the outlook this year was improving, thanks to the introduction of new car models at the end of 1982.

Meanwhile, some economists fear the obdurate strength of the dollar will unhinge economic recovery.

John Gaster, head of Bankers Trust's economic unit in London, said he was worried that U.S. industry hurt by cheap imports, would push harder for curbs on trade. In addition, he said, the high interest rates supporting the dollar threaten to choke off economic recovery outside the United States.

"Any significant rise in U.S. interest rates puts at risk the rather tentative European recovery," he said.

Notional Convergence will receive no proceeds in the offering, expected to be made in mid-July.

## Lindner to Sell Stake in U.S. Store Chain

HOUSTON — National Convenience Stores has filed a registration statement with the Securities and Exchange Commission relating to a secondary offering of 2.3 million shares of common stock. The shares are being sold by Carl Lindner, who is chairman of American Financial Corp., and by a group of insurance companies affiliated with American Financial.

Notional Convergence will receive no proceeds in the offering, expected to be made in mid-July.

**sales at Charvet**  
28, PLACE VENDÔME

## Turnaround in Trade Lets Mexico Delay a Planned Loan

By James L. Rowe Jr. and Caroline Adkinson  
Washington Post Service

WASHINGTON — Mexico, which touched off the Latin American debt crisis last August, has been doing so well recently that it did not have to borrow \$1.1 billion that bankers had agreed to make available May 31, according to banking sources.

Mexico's situation stands in stark contrast to that of Brazil, which was denied more than \$1 billion in loan payments May 31 because it was far out of compliance with economic performance targets it had agreed to meet in return for loans from the International Monetary Fund and its bankers.

Mexico, Brazil and several other Latin American nations have had difficulties repaying hundreds of billions of dollars of foreign debt

and have negotiated financial rescue packages with their commercial bank lenders as well as the IMF.

Bankers said Monday that Mexico now has far more cash on hand than the banks, the IMF or the Mexicans themselves anticipated when the rescue packages were being put together last year and early this year.

An official of a major U.S. bank called this "a heartening development," but added: "It doesn't mean the Mexican crisis is over. Now they're trying to put off drawing the money as long as possible to impress us."

Mexico did borrow the \$300-million installment due on its three-year IMF loan last month, sources noted.

Bankers said Mexico was able to put off drawing the second portion of a \$5-billion commercial bank

loan because it ran a surprisingly high \$2-billion trade surplus in May.

The surplus reflected the severity of the Mexican recession, which has discouraged imports. Bankers said Mexico eventually will borrow the \$1.1 billion, plus another \$2.2 billion it has been promised by year's end. The country borrowed \$1.7 billion from its commercial bankers late last winter.

Mexico had expected to run a 1983 deficit of \$2.8 billion with the rest of the world. Now, however, it anticipates a surplus of \$300 million in its current account, banking sources said.

Even though the price of oil, its biggest export product, has declined sharply, the Central American nation has slashed its imports and is counting on greatly reduced interest payments on its debts. Rates today are far lower than Mexican officials anticipated six months ago.

Brazil and Mexico are the biggest debtors in the developing world. Both have foreign debts approaching \$90 billion, most of it owed to commercial banks in the United States, Europe and Japan. Commercial banks, along with

the International Monetary Fund, have devised financial rescue packages, but not only for Brazil and Mexico, but for other similarly strapped nations, including Argentina (which owes about \$40 billion), Chile and Peru.

Chile, which like Brazil is out of compliance with the IMF terms, has conditional commitments for \$1.2 billion of the \$1.3 billion it needs from its foreign lenders.

An IMF team has been in Brazil

for several weeks to discuss a renegotiation of the Brazilian rescue package. Senior officials of that team flew back to Washington last week for brief consultations and are to return to Brazil this week.

A major sticking point in the negotiations is the complex indexing system that automatically compensates Brazilians for changes in inflation — now running at an annual rate in excess of 100 percent.

The IMF would like Brazil to take

some steps toward "de-indexing" wages to stop them from rising as fast as prices, so that Brazil can reduce public spending and borrowing.

Brazilian officials have resisted de-indexing, because it would reduce living standards. With political and popular opposition to the IMF mounting, Brazil's military government might face a public outcry if it tampered with the indexing system, sources said.

## Olivetti Head Seeks Lower French Share

By Paul Lewis  
New York Times Service

PARIS — Carlo de Benedetti, the president and controlling shareholder of the Italian office machinery maker Olivetti, is seeking a substantial reduction in the French government's 30 percent interest in his company, according to French industrial sources.

The interest in question was purchased several years ago by the diversified French industrial group Saint-Gobain, which was one of several large businesses nationalized by the Socialist government last year.

The assumption in French industrial circles is that Mr. de Benedetti, a strong believer in free enterprise, is unhappy with the size of Saint-Gobain's stake now that it is government-owned. Mr. de Benedetti was not available for comment Monday night at Olivetti's headquarters in Ivrea, north of Turin.

In return for an agreement by the French Socialists to reduce their interest in Olivetti, Mr. de Benedetti is reportedly offering a new industrial and marketing agreement to the French telephone equipment manufacturer CIT-Alcatel, which is controlled by Compagnie Générale d'Electricité, another industrial group that the Socialists nationalized last year.

Under this agreement, which has been initiated by Olivetti and CGE, the sources said, Olivetti

would join CIT-Alcatel in developing and marketing by 1987 an advanced electronic typewriter. In addition, Olivetti would market a range of CIT-Alcatel products.

Implementation of the agreement is apparently being delayed, however, by the question of what is to happen to Saint-Gobain's big shareholding in Olivetti. Saint-Gobain in the United States, bought the Olivetti shares with Mr. de Benedetti's agreement when Saint-Gobain was privately owned. This was part of Saint-Gobain's plan to diversify out of its traditional fields of glass, building materials and piping into electronics and office machinery.

The government has vetoed this diversification plan, reserving the electronics business for other recently nationalized companies, including CGE. But it has not decided how to dispose of Saint-Gobain's stake in Olivetti.

While negotiating the proposed agreement with CIT-Alcatel, the sources said, Mr. de Benedetti told Jean-Pierre Brunet, the president of CGE, that it would be logical for Saint-Gobain's Olivetti shares to be given to CGE. But Mr. de Benedetti also made it clear, the sources added, that he wanted to see the holding reduced by the sale of a substantial portion of the shares to private investors.

Mr. Brunet is reported to have said that he would be ready to take over part of Saint-Gobain's shareholding in Olivetti but that he could not afford to buy the shares from Saint-Gobain. Although CGE is one of the few recently nationalized French companies that is still making a profit, it is committed to a heavy investment program and has no cash to spare, company executives said.

## BNOC Holds Prices For 3 More Months

United Press International  
LONDON — North Sea oil prices are to be frozen for another three months, British National Oil Corp. said Tuesday. BNOC has resolved not to change the price framework which was set last March and extended throughout the second quarter.

It will be getting in touch with its clients this week with the proposal that the \$30 a barrel reference price be frozen for the third quarter.

Despite the company's spectacular growth, the Zanusso family has jealously retained control and has refused to go public with its stock. The company holds its annual general meeting Wednesday, and Italian newspapers have speculated that the family will announce changes in top management to open the way for outside business interests to buy into the company.

The Zanusso company secretary, Giovanni Bozzola, said that Zanusso's sales of kitchen appliances, or "white goods," which account for about 70 percent of sales, are booming.

Mr. Bozzola said Zanusso had been hurt badly by its costly involvement in television manufacture, the ill-advised acquisition of an electrical company and the launching of a house-building venture.

Together these interests make up only 15 percent of group sales; but the TV business alone has cost Zanusso 300 billion lire in five years in capital investment and losses.

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M.R.C. Holdings... 20 -24 p  
Norman Bailey  
Aviation... 42 -46 p  
Reynolds Divers. Corp. 7 1/2-11 1/2 p  
Tachile Investments... 57 -64 p  
Tang Growth Holdings... 11 1/2-12 1/2 p  
VTC... 57 -64 p

## Dollar Up In Europe

(Continued from Page 13)  
more likely to tighten this year than wait until 1984, an election year.

For the dollar, he said, "all the risk is on the upside."

Many other analysts are less bullish on the dollar, but most have been moving back their forecasts of when it is likely to fall. David Mitchem, a director of European Banking Co., said the decline would probably come by the year's end. Whenever the move comes, he added, it is likely to be sharp.

Meanwhile, some economists fear the obdurate strength of the dollar will unhinge economic recovery.

John Gaster, head of Bankers Trust's economic unit in London, said he was worried that U.S. industry hurt by cheap imports, would push harder for curbs on trade. In addition, he said, the high interest rates supporting the dollar threaten to choke off economic recovery outside the United States.

"Any significant rise in U.S. interest rates puts at risk the rather tentative European recovery," he said.

Notional Convergence will receive no proceeds in the offering, expected to be made in mid-July.

**Gold Options (prices in \$/oz.)**  
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450 7.00-7.05 7.00-7.05 7.00-7.05  
500 7.00-7.05 7.00-7.05 7.00-7.05  
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## '82 Annual Report

At its Annual Meeting, the General Council of Banco di Napoli, presided by Prof. Aristide Savignano, Deputy Chairman and with the attendance of Prof. Ferdinando Venturiola General Manager, approved the 1982 Balance Sheet of the Institution (the Bank and the Agriculture, Property, Industry, Public Works and Personal Guaranteed Special Credit Sections).

SUMMARIZED DATA FROM BALANCE SHEET	in billions lire	SUMMARIZED DATA FROM PROFIT & LOSS ACCOUNT	in billions lire
Deposits, debt securities issued and items in circulation	21,593	Total earnings	3,391
Capital employed	853	Net income before provisions and taxation	283
Provisions for pensions and similar obligations	489	Provisions & Taxes	276
Advances	14,123	Net income for the year	7
Securities	4,850		
Cash and short term funds	3,219		
Investments, property, plant and equipment	633		

The following achievements are worth mentioning: deposits from customers rose by about 23%, and advances by 23.31%; the latter were mainly granted to customers in Southern Italy.

The Special Credit Divisions made valuable contributions to the overall result, an expansion was monitored in the financial services sector, and maximum support was given to the export business. Net Capital employed was strengthened.



**BANCO DI NAPOLI**

All these securities having been sold, this announcement appears as a matter of record only.

June, 1983

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(A Netherlands Antilles Corporation)

**Common Stock**  
(\$4.00 par value)

Wertheim & Co., Inc.

Bear, Stearns & Co. The First Boston Corporation A. G. Becker Paribas Blyth Eastman Paine Webber  
Alex. Brown & Sons Dillon, Read & Co. Inc. Donaldson, Lufkin & Jenrette Drexel Burnham Lambert  
Goldman, Sachs & Co. Hambrecht & Quist E. F. Hutton & Company Inc. Kidder, Peabody & Co.  
Lazard Frères & Co. Lehman Brothers Kuhn Loeb Merrill Lynch White Weld Capital Markets Group  
Prudential-Bache Securities L. F. Rothschild, Unterberg, Towbin Salomon Brothers Inc.  
Shearson/American Express Inc. Smith Barney, Harris Upham & Co. Dean Witter Reynolds Inc.  
A. G. Edwards & Sons, Inc. Montgomery Securities Oppenheimer & Co., Inc.  
Robertson, Colman & Stephens Thomson McKinnon Securities Inc.



## Tuesday's AMEX Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

[illegible]

Notes/figures are unmodified. Vowels bluffs and lows reflect the previous 52 weeks plus the current week in stock dividend amounts. All figures are shown for the year ended December 31, 2008. The high-low range is the range of the year's high-low range. Unless otherwise noted, ratios of dividends are annual dividends based on the latest declaration.

1 - dividend called  
2 - annual ratio of dividend plus stock dividend.  
3 - dividend called.  
4 - called.  
5 - new equity low  
6 - dividend declared or paid in preceding 12 months.  
7 - dividend in Canadian funds, subject to the non-Canadian dividend.  
8 - dividend declared after split or stock dividend.  
9 - dividend called this year, limited, deferred, or no action taken at latest dividend meeting.  
10 - dividend called this year, on accumulative issue with dividends in arrears.  
11 - new share in the business with the stock and trading.  
12 - new date delivery.  
13 - call-out-entire ratio.  
14 - dividend declared or paid in preceding 12 months, plus  
15 - dividend called.  
16 - stock split. Dividend doubles with date of split.  
17 - dividends paid in stock in preceding 12 months, estimated call value or non-cash and co-distribution date.  
18 - new equity high.  
19 - trading halted.  
20 - dividend structure or receivable or being reorganized under the Bankruptcy Act, or securities assumed by such company.  
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